

DIRECT LOAN SCHOOL GUIDE

Contents

OVERVIEW.....	Overview-1
CHAPTER 1: DIRECT LOAN PARTICIPATION	1-1
Eligibility Criteria.....	1-1
Payment for Origination Services.....	1-2
Origination Options	1-2
Additional Criteria for Requesting Loans	
Under Options 1 and 2	1-2
School Origination Options (Chart)	1-3
Deciding on the Type of Participation.....	1-3
100 Percent Participation vs. Partial Participation	1-4
Changing Origination Options	1-4
Consortia.....	1-5
Points to Consider in Managing Direct Loans	1-6
Withdrawal Procedures	1-6
CHAPTER 2: ELECTRONIC RESOURCES FOR ORIGINATION AND RECONCILIATION.....	2-1
Participation Through Electronic Data Exchange.....	2-1
Implementation.....	2-2
Technical References and Support.....	2-3
Minimum Hardware and Software Requirements.....	2-4
CHAPTER 3: EDUCATION DEPARTMENT RESOURCES FOR SCHOOLS AND STUDENTS ON THE WORLD WIDE WEB.....	3-1
Information Available to Schools and Students	
Via the Web.....	3-1
For Students.....	3-1
For Schools	3-2
CHAPTER 4: INFORMATION AND COUNSELING FOR BORROWERS.....	4-1
Explaining the Direct Loan Program to Borrowers	4-1
Explaining New Terms.....	4-2
Department Publications	4-2
Direct Loan Servicing Center Communications.....	4-3
Repayment Plan Information.....	4-3
Direct Loan Program Repayment Plans (chart)	4-4
Repayment Periods for Extended or Graduated Plans (chart).....	4-5

Chapter 4 (continued)

Entrance and Exit Counseling	4-5
Entrance Counseling	4-5
Exit Counseling	4-6
Counseling Materials	4-6
Exit Counseling Support	4-7

CHAPTER 5: ESTABLISHING STUDENT ELIGIBILITY..... 5-1

Some Provisions Common to the FFEL Program	5-1
Student Eligibility	5-1
Direct Loan Program: Annual Loan Limits (chart).....	5-3
Annual Loan Limits for Graduate Students.....	5-4
Aggregate Loan Limits.....	5-4
PLUS Eligibility and Loan Limits.....	5-4
Application Process.....	5-4
Credit Issues.....	5-5
Parent Notification	5-6
School Notification.....	5-6
Applicants with Adverse Credit Histories.....	5-7

CHAPTER 6: LOAN ORIGATION RECORDS AND

PROMISSORY NOTES 6-1

Essential Records	6-2
Loan Origination Records.....	6-2
Creating Loan Origination Records	6-3
Required Data Items.....	6-3
Loan Origination Record Data Items (Chart).....	6-3
Direct Loan Record Data Items (Chart).....	6-4
Loan ID	6-5
Sending Loan Records to the Loan Origination Center.....	6-5
Loan Origination Center Responses and Actions.....	6-5
Rejected Loan Origination Records	6-6
Promissory Notes.....	6-6
Printing Promissory Notes	6-6
Promissory Note Address Considerations.....	6-7
Borrower Completion and Return.....	6-8
Sending Promissory Notes to the Loan Origination Center.....	6-8
Loan Origination Center Responses and Actions.....	6-9
Rejected Promissory Notes	6-10
Loan Amount Changes (Chart)	6-11
When to Begin the Loan Process (Option 1 and Option 2 Schools).....	6-12
Time Frame Comparison for Promissory Note and Loan Record Creation.....	6-13

CHAPTER 7: RECEIVING AND DISBURSING FUNDS..... 7-1

Maintaining Your Federal Account.....	7-2
---------------------------------------	-----

Loan Fees	7-2
Requesting Funds: Option 2 Schools	7-3
Calculating Funding Needs	7-3
Timing the Requests for Direct Loan Funds	7-3
Timeline for Requesting/Receiving Funds (Chart).....	7-4
Requesting Direct Loan Funds (Option 2 School).....	7-4
Issues to Consider in Requesting Funds (Option 2 schools only)	7-5
Requesting Funds: Option 1 and Standard Origination Schools	7-7
Funding and Disbursement Timeline (Chart)	7-9
Disbursing Funds to Borrowers	7-9
The Disbursement Date	7-11
Special Direct PLUS Loan Considerations	7-11
Options	7-12
Informing Students About Disbursements.....	7-12
Reporting Disbursements	7-13
Borrowers' Requests for Cancellation or Adjustment.....	7-13
Cancellations, Adjustments and Payments	7-14
Cancellation, Adjustment and Payment Provisions (Chart)	7-15
Excess Cash	7-16
Excess Cash vs. Payment	7-16
Addresses for Returning Funds to the Department	7-17
Loan Origination Center Response and Actions.....	7-17
 CHAPTER 8: THE RECONCILIATION PROCESS.....	 8-1
Reconciliation.....	8-1
The Direct Loan School Account Statement (DLSAS).....	8-1
Cash Summary.....	8-2
The Cash Detail Record.....	8-3
The Loan Detail Record.....	8-3
 CHAPTER 9: CERTIFYING BORROWER ENROLLMENT	
STATUS	9-1
General Information	9-1
School Requirements	9-1
Scheduling SSCR Cycles.....	9-2
Guidelines.....	9-2
Recommendations	9-2
Recommended SSCR Cycle Dates (Chart).....	9-3
Processing Cycle.....	9-3
The SSCR User's Guide and Customer Support.....	9-5

Chapter 9 (Continued)

The Remainder of this chapter does not apply to schools using EDE

SSCR Roster File.....	9-6
Matching Student Data.....	9-6
Reading and Updating the SSCR File.....	9-7
Student Identifiers	9-7
Enrollment Status Review.....	9-7
Address Update.....	9-7
Adding Students.....	9-8
Sending the SSCR Submittal File.....	9-8
Error Notification and Correction	9-8

CHAPTER 10: DIRECT LOAN SERVICING CENTER

RESPONSE AND SUPPORT.....	10-1
General Information.....	10-1
Loan Servicing Center Activities.....	10-1
Borrower Service Features	10-2
Addresses and Toll-Free Number.....	10-3
Standard Communications	10-3
Loan Issuance Notification.....	10-3
Deferment and Forbearance Assistance.....	10-4
Deferments.....	10-5
Forbearance.....	10-5
Account Servicing Statements.....	10-6
Quarterly Interest Statements.....	10-6
Annual Statements	10-6
Billing Statements.....	10-7
School Services	10-7
Problem Resolution.....	10-7

CHAPTER 11: QUALITY ASSURANCE..... 11-1

General Information	11-1
Management Worksheets.....	11-3
Progress Reports.....	11-4
Points to Consider in Managing Direct Loans	11-4

APPENDICES..... Appendix A

Direct PLUS Loan Application and Promissory Note.....	Appendix A
Direct PLUS Loan Endorser Application.....	Appendix B
Direct Stafford/Ford Loan Promissory Note and Disclosure	Appendix C
Account Statement.....	Appendix D
Billing Communications.....	Appendix E
Quarterly Unsubsidized Interest Statement.....	Appendix F

Appendices (Continued)

Welcome Letters.....	Appendix G
Forbearance Letters.....	Appendix H
Deferment Letters.....	Appendix I
Death/Total and Permanent Disability Letters.....	Appendix J
Electronic Debit Account Letters.....	Appendix K
Returned Check Letters.....	Appendix L
Income Contingent Repayment Plan Letters.....	Appendix M
Clearing Bad Credit Letters	Appendix N
Promissory Note Fraud Letters	Appendix O
Bankruptcy Letters.....	Appendix P
Interest Letters.	Appendix Q
Repayment Plan Letters.....	Appendix R
Payment History Letters.....	Appendix S
Payment Due Date Letters.....	Appendix T
Payment Discrepancy Letters.....	Appendix U
Miscellaneous Letters.....	Appendix V
Help Listing.....	Appendix W
Direct Loan Program Regulations Listing.....	Appendix X
Direct Loan Core Publications.....	Appendix Y
Direct Loan Quality Assurance Guide.....	Appendix Z

OVERVIEW

This *School Guide* gives you simple answers to your questions about how to administer the William D. Ford Federal Direct Loan Program (Direct Loans) and describes how to access the additional resources available to you. It is organized into chapters that address aspects of the Direct Loan Program affecting school functions. Some chapters deal with more than one function, as some tasks are interrelated.

Chapter 1: Direct Loan Participation describes general participation and origination criteria.

Chapter 2: Electronic Resources describes the electronic support the Department provides, including information on Electronic Data Exchange (EDE), EDEExpress, and the Direct Loan component of EDEExpress (Direct Loan software.) Reference telephone numbers are provided.

Chapter 3: Education Department Resources for Schools and Students on the World Wide Web describes the information available to schools and students via the Department's Direct Loan web site.

Chapter 4: Information and Counseling for Borrowers provides information and guidance to assist you in disseminating information to Direct Loan borrowers and other students interested in attending your school.

Chapter 5: Establishing Student Eligibility provides information on the student application process, determination of loan amounts, and loan monitoring.

Chapter 6: Origination Records and Promissory Notes explains the process for creating these loan records and documents, and transmitting them to the Direct Loan Origination Center (LOC) for action.

Chapter 7: Receiving and Disbursing Funds describes the procedures for making Direct Loan fund requests, disbursing funds and reporting disbursements.

Chapter 8: Reconciliation discusses the process of accounting for Direct Loan funds between the school and the Loan Origination Center.

Chapter 9: Certifying Borrower Enrollment briefly discusses the Student Status Confirmation Report (SSCR) process.

Chapter 10: Direct Loan Servicing Center Response and Support covers issues related to servicing and problem resolution.

Chapter 11: Quality Assurance provides basic information about the Direct Loan Quality Assurance Program.

Each chapter begins with a list of essential questions related to the chapter's contents. These are questions you and your colleagues may have asked about the Direct Loan Program. Answers to the questions are provided throughout the narrative.

Charts are included to help you visualize procedures and choose the best option for implementing a simple process and a flexible system for your borrowers and school.

Records Management principles have been incorporated throughout the *School Guide* where appropriate, rather than designating a specific chapter on this topic.

A body of reference information is incorporated as appendices at the end of the *School Guide*. This information includes a sample list of Direct Loan regulatory citations and Department publications.

The *School Guide* also contains the following:

- ◆ telephone numbers for the Department and its contractors including the Direct Loan Task Force, the Regional Direct Loan Client Account Management staffs, the Direct Loan Origination Center, the Central Processing System, and Title IV Wide Area Network, and the Direct Loan Servicing Center.
- ◆ samples of school and borrower forms such as promissory notes, borrower's rights and responsibilities information, and promissory note manifests
- ◆ samples of Servicing Center communications to borrowers
- ◆ samples of Loan Origination Center communications to schools
- ◆ web site information

Program Description

Direct lending includes the concepts of direct financing, direct delivery, and direct communications. The federal government, rather than financial institutions, provides the loan capital for Direct Loans. Participating schools, acting on behalf of the government, deliver loan funds to student and parent borrowers. Schools do not service or collect Direct Loan repayments; the Direct Loan Servicing Center handles these functions.

School Functions

Participating schools perform a variety of functions under the Direct Loan Program:

- ◆ determining borrower eligibility and loan amounts
- ◆ creating loan origination records
- ◆ providing required entrance counseling to first-time borrowers
- ◆ obtaining signed promissory notes from borrowers (Option 1 and 2 schools only)
- ◆ sending loan origination records to the Loan Origination Center
- ◆ sending signed promissory notes to the Loan Origination Center (Option 1 and 2 schools only)
- ◆ requesting Direct Loan funds (Option 2 schools only)
- ◆ receiving Direct Loan funds from ED
- ◆ certifying borrowers' enrollment status
- ◆ disbursing loans to eligible borrowers
- ◆ reporting disbursements to the Loan Origination Center
- ◆ reconciling the Direct Loan School Account Statement (DLSAS) to internal records on a monthly basis
- ◆ returning unused funds
- ◆ providing required exit counseling to borrowers
- ◆ implementing a quality assurance program, as required by ED

Many of these tasks should be familiar to you because they are required for other Title IV Student Financial Aid Programs such as the Federal Family Education Loan [FFEL] Program. The *School Guide* includes practical information for handling these functions.

Chapter 1

Direct Loan Participation

Essential Questions

- ◆ What are the administrative requirements?
- ◆ Is my school prepared to implement an Electronic System for processing student loans?
- ◆ What resources are available to assist the school to participate electronically?
- ◆ Which level is appropriate for my institution?
- ◆ What are the different levels of participation for Direct Loans?
- ◆ What are the functions of each level?
- ◆ Should my school participate 100 percent in Direct Loans, or should my school phase in?
- ◆ Does the school receive an administrative fee for originating loans?
- ◆ Is it better for my school to participate in a consortium or as an individual institution?
- ◆ How does the school withdraw from the program?

Eligibility Criteria

To qualify for initial participation in the Direct Loan Program, a school must

- ◆ meet the eligibility requirements of section 435(a) of the HEA
- ◆ have a cohort default rate of less than 25 percent for at least one of the three most recent fiscal years, unless the school is exempt under section 435 (a)(2)(C)
- ◆ not be subject to emergency action or a limitation, suspension, or termination action.

A school must also execute a Direct Loan Program Participation Agreement (PPA) (*Direct Loan Addendum*) separate from the PPA for Title IV programs and have or will soon have the technological capacity to participate electronically.

To maintain eligibility, a school must continue to meet the eligibility requirements of section 435(a) of the HEA and have a cohort default rate of less than 25 percent for at least one of the three most recent fiscal years, unless the school is exempt under section 435(a)(2)(C).

Payment for Origination Services

For 1998-99, there are no payments for origination services.

Origination Options

There are three origination options under which a school may participate in the program—Standard, Option 1 and Option 2. The chart on the next page identifies the functions associated with each origination option.

Once a school expresses interest in Direct Loan participation, the Department reviews the school's eligibility for each origination option and notifies the school of the origination options under which they are eligible to participate. Any school participating in the Direct Loan Program under 685.400 of the regulations is eligible to participate under Standard Origination. Schools meeting the additional criteria shown below may originate loans under Option 1 and Option 2.

Additional Criteria for Originating Loans Under Options 1 and 2

Schools must

- ◆ be currently participating in the Federal Perkins Loan Program or in the Federal Pell Grant Program. A graduate or professional school must have participated in a similar program for the three most recent years
- ◆ not be on the reimbursement system of payment in the Federal Pell Grant Program
- ◆ have had no severe performance, audit, or program review deficiencies for any Title IV program
- ◆ be financially responsible in accordance with the standards of 34 CFR 668.15
- ◆ be current on program and financial reports and on Title IV audits for the 12 months immediately preceding the Direct Loan application date

DIRECT LOAN SCHOOL GUIDE

- ◆ be current on required Federal cash transaction reports and have no final determination of cash on hand that exceeds “immediate need”
- ◆ have no material findings in annual financial audits submitted for the three most recent years preceding the Direct Loan application date
- ◆ provide assurance that the school has no delinquent debts to the Federal government (unless the debts are being repaid under an arrangement satisfactory to the government, or unless the Department of Education decides the appropriate federal agency has not determined the existence or amount of the debts).

FUNCTIONS	STANDARD	OPTION 1	OPTION 2
Create loan origination record	School	School	School
Transmit record to the Loan Origination Center (LOC)	School	School	School
Prepare promissory note	LOC	School	School
Obtain completed/signed promissory notes from borrowers	LOC	School	School
Transmit promissory notes to LOC	N/A	School	School
Determine funding needs	LOC	LOC	School
Initiate drawdown of funds	LOC	LOC	School
Receive funds electronically	School	School	School
Receive actual disbursement roster	School	School	N/A
Disburse loan funds to borrowers	School	School	School
Create disbursement records	School	School	School
Transmit disbursement records to LOC	School	School	School
Reconcile monthly Direct Loan School Account Statement (DLSAS)	School	School	School

Deciding on the Type of Participation

Before your school enters the Direct Loan Program, you must consider the option under which you *wish* to participate and the option under which you are *eligible* to participate. It is important to understand the responsibilities associated with each option and to determine if it is appropriate for your school.

As you make this decision, think about your staffing levels, service to students, demands your campus makes on you, and commitment from institutional resources. You must decide what is best for your school and how much control you want to have. Also consider the level of support your school will provide—for example, from the computer center and the business office.

100 Percent Participation vs. Partial Participation

In addition to deciding your level of participation, you will need to determine if you want to participate fully in the Direct Loan Program. In other words, should all students receive Direct Loans or should some of your students receive Direct Loans and some receive Federal Family Education Loan Program (FFEL) loans? Keep in mind that a student cannot receive both types of loans for the same loan period, but your institution can participate in both programs.

When determining how you will participate, you may want to consider the following factors:

- ◆ your ability to manage two programs—consider
 - staffing
 - training
 - possibility of confusion (for students and staff)
 - how much support you have at your school for a new program
 - the efficiency and cost effectiveness of the FFEL Program to determine how easy it would be for you to run parallel programs.
- ◆ your student population—consider
 - the importance of keeping students in one loan program (grandfathering Direct Loans into your school by using the program only for new students)
 - the mix of graduate/professional and undergraduate students (graduate students may have many years of loans behind them from their undergraduate education).

Changing Origination Status

At any time, an Option 1 or Option 2 school may participate under an option with less responsibility and control. To do so, the school must notify the Department in writing and await a reply with an effective date.

A Standard Origination or Option 1 school can apply to participate under an option with more responsibility and control after one full year of participation at the initial origination status. The Department considers these applications annually and bases its decision on a school's prior year performance, as well as the criteria found in 34 CFR 685.402.

- ◆ Schools can request participation changes by writing to:

School Selection Team/PAIB/IPOS
U.S. Department of Education
Room 3925, ROB-3
600 Independence Avenue, SW
Washington, DC 20202-5232

Or by faxing requests to 202-708-9485, ATTN: Daniel Dietz
- ◆ Before deciding if you want to change your origination status, review the Direct Loan *School Guide* chapters on origination records, promissory notes, funding requests and disbursement.
- ◆ Establish a plan and timeline for implementation.
- ◆ Identify procedural changes that may be needed and implement new procedures as appropriate.
- ◆ Develop a processing schedule for creating and submitting records.

Consortia

Schools may participate in the Direct Loan Program through consortia arrangements. A consortium is a group in which each school may perform certain school-based functions shown on page 1-3; however, only one school communicates with the Department for all schools in the group. Each school in the consortium must be eligible to participate in Direct Loans, must sign an individual Direct Loan Addendum, and must meet the criteria to originate loans *at the chosen level of participation*. Each must participate at the same level and is responsible for the information it supplies through the consortium's lead school.

Participation in a consortium arrangement may benefit schools that wish to use the administrative and computer resources of one school rather than obtain such resources themselves. A consortium can reduce the individual effort by one school and save resources.

- ◆ For example, a group of small schools currently operating manually might form a consortium and develop one of the schools as a "site" or "destination" for all computer activity associated with the Direct Loan Program. This arrangement may benefit schools with similar missions and populations.

Points to Consider in Managing Direct Loans

- ◆ Develop a list of your constituents, including prospective students, their parents, high school counselors, other campus administrators, regents, etc.
- ◆ Make sure that all who need to know about the school's decision to participate in Direct Loans are kept informed.
- ◆ It might be appropriate to designate one or two people in your office as official Direct Loan spokespersons.
- ◆ Develop a team approach to Direct Loans at your school. As you can see from the discussion in this chapter, the issues to consider will involve staff other than financial aid office personnel. Teams, committees, working groups, and task forces are all ways to encourage communication and commitment.
- ◆ Assess your school's resources, including mainframe and/or personal computer systems. Depending on your level of automation, you may want to phase-in the Direct Loan Program.
- ◆ Use the "Five Steps" outlined in the Direct Loan Planning Guide to implement the Direct Loan Program and your Direct Loan Quality Assurance System. These steps are progressive and serve as a base for launching a quality Direct Loan program that has recurring assessment activities for continuous improvement.
- ◆ Develop a collaborative problem-solving approach. Use the Direct Loan Program to re-think the process of providing customer service to your students. Identify the issues that need to be explored and the timeframe for resolution.

Withdrawal Procedures

Participating schools may withdraw from the Direct Loan Program at any time by submitting a written request to the Department (see the address on the previous page), giving the reason for withdrawal and an effective date, which must be at least 60 days later than the date of the notification or the withdrawal request date. Unless the Department approves an earlier date, the withdrawal date will be the date the school selects or 60 days after the school notifies the Department. The Department may initiate a school's withdrawal if there are performance or eligibility problems.

Certain activities related to program withdrawal are necessary, such as closeout audits (Title IV Audits) and a final reconciliation of Direct Loan funds, including the submission of all disbursement records and return of excess cash.

Chapter 2

Electronic Resources for Origination and Reconciliation

Essential Questions

- ◆ What are the advantages of participating through Electronic Data Exchange (EDE)?
- ◆ What do I need to know when deciding whether to use the Department's Direct Loan software?
- ◆ What are the hardware and software requirements for my campus?
- ◆ Do I need to integrate the Direct Loan software data with my school's system?
- ◆ Where can I get technical assistance?

Participation Through Electronic Data Exchange (EDE)

Schools participating in the Direct Loan Program are required to participate electronically. As a result, participating schools exchange Direct Loan data with the Department when processing Direct Loans. This exchange of data is referred to as Electronic Data Exchange (EDE) and is a service provided through the Title IV Wide Area Network (TIV WAN).

The Department provides electronic support for all aspects of Direct Loan processing through EDE, including software and software requirements. The Direct Loan software is free, updated annually, and distributed as a component of EDEExpress. Schools and software vendors have the option of receiving a Technical Reference for use in designing custom software. Software options available to participating schools include:

- ◆ using the EDEExpress software the Department provides;
- ◆ developing their own software;
- ◆ using third-party vendor software;
- ◆ using the EDEExpress software in combination with their own; or

- ◆ using a commercial software package, which contains a Direct Loan component.

In addition to processing Direct Loans, schools that use EDEExpress can also

- ◆ enter and transmit initial, renewal, and corrections to FAFSA applications;
- ◆ draw down Institutional Student Information Record (ISIR) data from the Central Processing System (CPS) to be imported and used with other software packages;
- ◆ execute functions to draw down Direct Loan funds through the Department's Grants Administration and Payment System (GAPS).

Implementation

Schools may use the EDEExpress Direct Loan module to process Direct Loans. Recommended hardware and software requirements for operating the EDEExpress software are provided in the chart at the end of this chapter.

Schools have several options in implementing an automated Direct Loan system. You may use EDEExpress software in concert with your current system, replace your current system with EDEExpress, use a third party software with a Direct Loan module, or modify your current system to include all software requirements.

You should consider the following as you develop your implementation plan:

- ◆ It may be helpful to talk with schools that have already implemented the program.
- ◆ When implementing Direct Loan processing, will you require support from your main campus computer facility, or can modifications be made solely in your office without relying on main campus support?
- ◆ If changes can be made within your office, how will you restructure staff to provide the time necessary to develop or implement a new system? Which staff members should be involved?
- ◆ Can Direct Loan software create security groups with various user-access levels?
- ◆ Can automation changes or enhancements be justified through Direct Loans, thereby benefiting your overall financial aid processing operations?
- ◆ If changes require outside resources, whom will you need to involve? Are there other campus projects taking place at the same time? If so, how does the Direct Loan Program fit with other campus priorities?
- ◆ Should you hire a temporary technical person to help get you started?

- ◆ Can you work with other Direct Loan schools using the same commercial financial aid software to integrate that software with Direct Loan software?
- ◆ Do you have a way to deal with software maintenance? Will it be easier to maintain your mainframe or your PC?

Technical References and Support

For additional information on EDE and for technical assistance with the Direct Loan component software and hardware requirements, call

- ◆ Central Processing System
1 (800) 330-5947, from 8 A.M. to 7 P.M. CT
- ◆ You may also contact an EDE Specialist at the Department of Education at
1 (202) 708-8270.

For a copy of the Department's Direct Loan Technical Reference (a manual to develop Direct Loan software for your school, using a mainframe, PC, or a combination of the two), or if you would like test case data, call the Title IV WAN Customer Service. Custom School Technical Support can help with questions about the content of the Technical Reference.

- | | |
|--|--|
| ◆ Title IV Wan Customer Service
1 (800) 615-1189
from 7 A.M. to 7 P.M., CT | ◆ Custom School Technical Support
1 (800) 756-4220
8:30 A.M. to 5 P.M., CT |
|--|--|

Minimum Hardware and Software Requirements

	Current Minimum Configuration (Depending Upon Volume and Usage)	Minimum Configuration Required by January 1999
Equipment	IBM or fully IBM-compatible PC	IBM or fully IBM-compatible PC
	66 MHZ Processor 486 DX2	200 MHz Pentium Processor or comparable
	16 MB RAM	64 MB RAM
	300 MB Hard Disk space	4.0 GB SCSI Hard Drive
	14,400 bps or higher baud Hayes or comparable Modem	56L Analog Modem
	3.5"/1.44MB Diskette Drive	3.5"/1.44MB Diskette Drive
	SVGA Monitor	SVGA Monitor
	Standard Keyboard	Windows 95 Keyboard
	Printer capable of printing on standard paper (8 1/2" x 11")	Laser printer capable of printing on standard paper (8 1/2" x 11")
	4x CD-ROM Drive with sound board*	12x CD-ROM Drive with sound board*
Software	MS-DOS version 6.2 or higher; Windows 3.1, 3.11, or 4.95	32 bit operating system (Windows 95 or Windows NT 4.x)
	Internet Service Provider (ISP)**	Internet Service Provider (ISP)**
	Netscape Navigator 3.0 or 3.01 (domestic) or web browser***	Netscape 3.0 or 3.01 (domestic) or web browser***
Phone Line	Dedicated Phone Line	Dedicated Phone Line
Diskettes	3.5" high-density double-sided diskettes	3.5" high-density double-sided diskettes

* Required if institutions want to use the EDEExpress Tutorial and the AWARE software.

** Will be necessary to access the "Info Financial Aid Professionals" web site.

***Currently must use Netscape Navigator 3.0 or 3.01 (domestic) in order to utilize FAFSA on the web.

Chapter 3

Education Department Resources for Schools and Students On the World Wide Web

Essential Questions

- ◆ Where can I find the Direct Loan Web Page?
- ◆ What information is available to students?
- ◆ What information is available to schools?

Information Available to Schools and Students via the Web.

The Department has a Direct Loan web site with extensive information for students and schools. The URL is <http://www.ed.gov/DirectLoan>

For students:

- ◆ Students who browse the Direct Loan web site will find all Direct Loan Guides, publications, and links to FAFSA Title IV School Code lists, Direct Loan deferment and forbearance forms, and Direct Loan consolidation information.
- ◆ An interactive budgeting worksheet and calculator that allows a student to estimate financial needs and create a budget for school and living expenses. This calculator lists most of the critical items (tuition, books, scholarships, and family contributions) to help students consider all expenses and resources. After completing all of the appropriate entry fields, the student clicks “calculate” and total resources, expenses, and balance are computed for the academic year. The interactive budget worksheet is accessed by clicking on the “Interactive Calculator” link or on the “Financial Aid for Students” link.
- ◆ With the Repayment Calculator, borrowers can compute the initial monthly payments he or she would make under each of the Direct Loan repayment plans. The borrower enters the amount borrowed, clicks on “calculate” and the repayment calculator will estimate monthly payments (total principal and interest for the life of the loan) for each of the Direct Loan repayment plans (Standard, Extended, Graduated or Income Contingent). The repayment calculator is accessed by clicking on the “Interactive Calculator” link or on the “Financial Aid for Students” link.

- ◆ A Direct Consolidation Loan calculator was added to the repayment calculator page in mid-summer 1998. This calculator has a data entry worksheet with entry fields for all loans that may be consolidated. The borrower inputs the amount of each loan he or she wishes to consolidate, then clicks “consolidate” to bring up a summary for each repayment plan.
- ◆ Borrower Account Information. A borrower can access current loan information by entering Social Security Number, birthdate, and zip code. He or she can see his or her last loan payment and payment due date, and current balance. The borrower’s loan status (whether current, in forbearance, in deferment, or default) is also identified. Borrower Account Information is accessed through the “Financial Aid for Students” link.

For schools:

- ◆ A variety of documents are posted for financial aid administrators. The growing library of technical directives includes Direct Loan Bulletins and counseling guides, training calendars, Direct Loan newsletters, and a link to Direct Loan regulations and all Dear Colleague letters.
- ◆ Other areas include information on Direct Loan consolidation, including downloading application forms, Direct Loan deferment and forbearance forms, FAFSA on the Web, Title IV school codes, links to GAPS and school links that link users to web sites of schools participating in the Direct Loan Program.
- ◆ If your institution has a web site and would like the address added to the Direct Loan School list on the web, please send your school’s name and web site address to erica_smith@ed.gov or joyce_rice@ed.gov.

Chapter 4

Information and Counseling for Borrowers

Essential Questions

- ◆ How can I explain the new program to my students?
- ◆ What is the official name of the program? How should the name appear in our publications?
- ◆ Does the Department have publications about the Direct Loan Program?
- ◆ Will the Direct Loan Servicing Center send communications to students?
- ◆ Does the Department have publications that explain interest rates and repayment options?
- ◆ Are there any sample repayment schedules?
- ◆ For which borrowers must I provide entrance and exit counseling sessions? When do I hold these sessions?
- ◆ What latitude does a campus have in developing its own entrance and exit counseling materials?
- ◆ How can a student learn about variable interest rates, capitalization, discharge (cancellation), deferments, forbearance, and consolidation?

Explaining the Direct Loan Program to Borrowers

With any new program, it is important to integrate information into all your existing publications, presentations, counseling sessions, and phone contacts. You might want to consider preparing news releases and newsletters to inform borrowers about the Direct Loan Program and your school's participation. You may also refer them to the Direct Loan web site at www.ed.gov/DirectLoan

In communicating about Direct Loans, the official name of the program is the **William D. Ford Federal Direct Loan Program**. It may be abbreviated as the Direct Loan Program or Direct Loans. Several loan types are available under the Direct Loan Program. These are

- ◆ Federal Direct Stafford/Ford Loans (subsidized)
- ◆ Federal Direct Unsubsidized Stafford/Ford Loans (unsubsidized)
- ◆ Federal Direct PLUS Loans
- ◆ Federal Direct Consolidation Loans.

Explaining New Terms

It may be helpful to define certain words associated with the Direct Loan Program. Several years ago, the Federal Perkins Loan was called a Direct Loan. For students coming back to school or for others involved with that program, the name “Direct Loan Program” may be confusing. The term “Servicing Center” may be new to borrowers as well. “Servicing Center” under Direct Loans is not synonymous with the term “servicer” under the FFEL Program.

Department Publications

To help you communicate about Direct Loans, the Department has published several booklets that you can give to students and parents:

- ◆ *Direct Loans: A Better Way to Borrow* summarizes the Direct Loan Program and includes information on application procedures and loan limits. The booklet also briefly describes the repayment options and outlines the advantages of Direct Loans for student and parent borrowers, schools, and taxpayers.
- ◆ *All About Direct Loans* gives students detailed information about the Direct Loan Program, including loan repayment, deferment provisions, and the consequences of default.
- ◆ *Direct PLUS Loan Basics* provides a basic overview of Direct PLUS Loans for parent borrowers.
- ◆ *Direct PLUS Loans* provides more detailed information on Direct PLUS Loans, including eligibility criteria, the application process, repayment options, and deferment and forbearance provisions. It also assists parents in determining how much they can afford to borrow.

You can call the Direct Loan Origination Center at 1-800-848-0978 to order these and other publications.

Direct Loan Servicing Center Communications

Your borrowers will receive various communications from the Direct Loan Servicing Center. The Appendices to this Guide contain sample correspondence from the Direct Loan Servicing Center to borrowers, which include:

- ◆ Disbursement confirmation
- ◆ Quarterly and annual statements
- ◆ Repayment options information

Your staff should have sample correspondence available. Your staff should understand the intent of the notifications and any action the borrowers may be required to take. Although all notifications will provide contact information for the Direct Loan Servicing Center, borrowers are likely to contact the financial aid office first.

It may be helpful to inform your students about what they will receive from the Servicing Center before the communication is sent. For example, students will receive a notice within 10 working days after each disbursement has been accepted on a booked loan. A borrower may incorrectly assume the letter requests loan repayment and may contact your office with questions.

Repayment Plan Information

Communicating about the Direct Loan Program includes providing information to borrowers about repayment options. The repayment plans have been designed to meet borrowers' unique financial needs. The Direct Loan Servicing Center will provide information on the various repayment plans as the borrower approaches his or her repayment period. It is important to encourage your borrowers to carefully read the information as they choose a repayment plan. The charts on the following pages describe the plans.

The Department's *Repayment Book* explains in detail the four repayment plans and gives examples of how each plan works. It includes a table that allows borrowers to see at a glance approximately how much they would repay (per month and in total) under each repayment plan (assuming different debt levels). Worksheets and supplementary charts allow borrowers, including Direct PLUS Loan borrowers, to estimate what they would owe under each repayment plan based on their actual circumstances. The *Repayment Book* will help borrowers choose the best repayment plan. Also available to assist borrowers is the Direct Loan Repayment Calculator located on the Department's Direct Loan Website (www.ed.gov/DirectLoan).

DIRECT LOAN PROGRAM REPAYMENT PLANS

Standard Repayment Plan	<ul style="list-style-type: none"> • Maximum repayment period of 10 years (not including time in deferment or forbearance) • Fixed payments of at least \$50 per month • Number of payments or the fixed repayment amount may be adjusted to reflect changes in the variable interest rate
Extended Repayment Plan	<ul style="list-style-type: none"> • Fixed monthly payments during an extended period of time that varies with the loan amount (refer to the table on the next page) • Fixed payments of at least \$50 per month • Monthly payment amount may be adjusted annually to reflect changes in the variable interest rate
Graduated Repayment Plan	<ul style="list-style-type: none"> • Payments will start out low, then increase, generally every two years • Paid over a period of time that varies with the total loan amount (refer to the table on the next page) • Initial monthly payments will be equal to the <u>greater of</u> the interest that accrues between payments, or 50% of the payment that would be made under the Standard Repayment Plan. Payments will never increase to more than 150% of what the borrower would repay under the Standard Repayment Plan. • Monthly payment amount may be adjusted to reflect changes in the variable interest rate
Income Contingent Repayment Plan (not available to Direct PLUS loan borrowers)	<ul style="list-style-type: none"> • Maximum repayment period of 25 years (not including periods of deferment or forbearance) • Monthly repayment amount is adjusted each year based on total amount of loans, Adjusted Gross Income (AGI), and family size • Borrowers repay the <i>lesser</i> of (1) the amount they would pay if they repaid their loans in 12 years, multiplied by an income percentage factor that varies with annual income, or (2) 20 percent of discretionary income (AGI minus the poverty level for a given family size) • In the first year of repayment, and usually in the second year of repayment, borrowers must submit alternative documentation of income (such as pay stubs) to reflect <i>current</i> income

REPAYMENT PERIODS FOR EXTENDED OR GRADUATED PLANS

Total Direct Loan Amount	Time
• Less than \$10,000	Within 12 years
• Greater than or equal to \$10,000 but less than \$20,000	Within 15 years
• Greater than or equal to \$20,000 but less than \$40,000	Within 20 years
• Greater than or equal to \$40,000 but less than \$60,000	Within 25 years
• Greater than or equal to \$60,000	Within 30 years

Entrance and Exit Counseling

One of the most important ways of providing information to borrowers about Direct Loans is through entrance and exit counseling.

Entrance Counseling

All schools (except those participating in an experimental site contract) must conduct entrance counseling for first-time student borrowers before disbursing a Direct Subsidized or Direct Unsubsidized Loan to the student borrower. The counseling may be done in person or by using a videotape presentation or computer-assisted technology (such as the Internet, computer-based training, or an automated calling system). Counseling sessions conducted by video or computer-assisted technology must meet the same requirements as those sessions conducted in person. If counseling is by video or computer-assisted technology, a counselor with Title IV knowledge must be available shortly after the counseling to answer questions. The borrower must not be able to circumvent the counseling or leave before completion, and you must document that the borrower completed counseling. Exceptions are made for correspondence school and study abroad programs. In these instances, you must provide borrowers with written counseling materials by mail before you disburse the loan funds.

As part of your school's quality assurance plan (see Chapter 11), you may design entrance counseling to suit your students' needs. Under this approach, called "alternative counseling," you must provide all full-time borrowers with written counseling materials—including performance measures such as withdrawal, default rates, and levels of borrowing, to demonstrate the effectiveness of the alternative counseling.

Review the procedures for withholding funds from students who have not participated in entrance counseling. If you already use Electronic Funds Transfer (EFT), you probably have procedures in place. If your current process is based on your office receiving a check, however, and if you operate with a student accounts system, the way you handle entrance counseling tracking may change with Direct Loans. You should consider how your process will indicate that students have met the required entrance counseling activity so that Direct Loan disbursements are authorized correctly.

For example, many institutions with student accounts systems use the FFEL loan check as a mechanism to trigger the review of the entrance counseling requirement. With Direct Loans, the money is credited to the student's account and this trigger no longer exists. Therefore, you will need to design a method to flag students who have not participated in entrance counseling before crediting their accounts.

Exit Counseling

Exit counseling is required for all Direct Subsidized and Direct Unsubsidized loan recipients before they cease to be at least half-time students at your institution. **The counseling must be done in person**, with exceptions for correspondence school students and students who withdraw without notice. While in-person counseling is not required for those two categories of students, you must mail them exit counseling materials.

Counseling Materials

Keeping borrowers informed of their obligations and rights and responsibilities is essential to the Direct Loan Program's success. To assist Direct Loan schools, the Department will provide all necessary materials for entrance and exit counseling. Schools, however, are not required to use these materials and may develop their own materials if they choose. If schools develop materials, they should refer to section 34 CFR 685.304 of the Direct Loan regulations for counseling requirements.

The Department's entrance and exit counseling materials consist of booklets as well as companion entrance and exit counseling videotapes.

- ◆ *The Entrance Counseling Guide for Borrowers* covers topics such as loan amounts, interest rates, capitalization of interest, and—briefly—the repayment plans. Also discussed are deferments, forbearance, and the consequences of default. A sample entrance counseling quiz, a loan history worksheet, and a glossary of common Direct Loan terms are included as well. It includes tips on how students can budget their money (and provides a planning worksheet) so that students will have enough to stay in school and to repay their loans later.
- ◆ *The Entrance Counseling Guide for Counselors* offers tips on what to cover in entrance counseling and gives explanations that follow the order of topics in the Entrance Counseling Guide for Borrowers.

- ◆ The *Exit Counseling Guide for Borrowers* explains the Direct Loan Servicing Center's role, the various repayment plans, Direct Consolidation Loans, deferment and forbearance provisions, and discharge (cancellation). The publication spells out the consequences of default and offers suggestions on how borrowers can budget once they leave school so they can avoid default. A list of borrower rights and responsibilities is also included.
- ◆ The *Exit Counseling Guide for Counselors* explains what to cover to meet the Department's regulatory requirements, offers tips on organizing counseling sessions, and presents an outline of discussion topics that follows the order of topics in the Exit Counseling Guide for Borrowers.

Exit Counseling Support

The Loan Origination Center and the Direct Loan Servicing Center provide support to assist schools with exit counseling. A school may receive borrower-specific exit counseling packages for its graduating borrowers by notifying the Loan Origination Center. The school must specify the desired time of receipt, i.e., 30, 60 or 90 days prior to the anticipated graduation date.

Chapter 5

Establishing Student Eligibility

Essential Questions

- ◆ How much money can a student borrow under the Direct Loan Program?
- ◆ How does a student apply for a Direct Loan?
- ◆ Will the student need to complete supplemental applications?
- ◆ How is eligibility for Direct Subsidized and Unsubsidized Loans determined?
- ◆ How is Direct PLUS Loan eligibility determined?
- ◆ How much money can a parent borrow under the Direct PLUS Loan Program?
- ◆ Who is responsible for the parent's credit check?
- ◆ What happens if a parent is denied a Direct PLUS Loan?
- ◆ How will schools be notified if a parent's credit has been approved or denied?

Some Provisions Common to the FFEL Program

Most Direct Loan provisions are similar to those of the FFEL Program. For example

- ◆ annual and aggregate loan limits are the same for Direct and FFEL Loans (see the loan limits chart on page 4-3)
- ◆ Direct Subsidized and Unsubsidized Loans are tracked using the National Student Loan Data System (NSLDS) and the Financial Aid Transcript using the same system as FFEL.

Student Eligibility

The first step in the loan process is establishing a borrower's eligibility. This process is very similar to the process for other Title IV programs in which your school may already participate.

The general sequence of actions is as follows:

- ◆ All students applying for Direct Loans use the paper Free Application for Federal Student Aid (FAFSA), the Renewal FAFSA, the electronic FAFSA Express, or FAFSA on the web (www.fafsa.ed.gov). Data may also be entered through EDEExpress at a school. There is no separate Direct Loan application.
- ◆ Dependent students must have their parents complete the appropriate FAFSA sections.
- ◆ The Central Processing System (CPS) conducts required database matches and calculates a student's Expected Family Contribution (EFC) according to the federal need analysis.
- ◆ You receive an electronic Institutional Student Information Report (ISIR) from the CPS or a paper Student Aid Report from the student.
- ◆ You determine the cost of attendance, then use the CPS-calculated EFC (or an EFC you have adjusted) and the estimated financial assistance to determine the student's financial need. Note that you are not required to resubmit corrections or adjustments for recalculation of the EFC to the Central Processing System (CPS) unless the student's Pell grant eligibility is affected.
- ◆ You use the EDEExpress optional packaging module (an operating system function that schools can customize) or another packaging tool (for example, your current packaging procedures) to create an award package.
- ◆ You notify the student of the anticipated Direct Loan award amount through an award letter, generated by the EDEExpress award packaging module, or through your own method of award notification.
- ◆ If the student is selected for verification, he or she must submit appropriate income tax forms or alternative documents. If the student is not selected for verification, you may decide whether to require additional documentation.

Direct Loan Program: Annual Loan Limits

Student Year	Length of Program or Final Period of Study			
	Full Academic Year	2/3 to less than full academic year	1/3 to less than 2/3 academic year	Less than 1/3 academic Year
1st year Dependent and Independent Students Subsidized and Unsubsidized	\$2,625	\$1,750	\$875	0
-----	-----	-----	-----	-----
Independent Student Unsubsidized	- \$4,000	- \$2,500	\$1,500	- 0
2nd year Dependent and Independent Students Subsidized and Unsubsidized	\$3,500	Proportional Proration	Proportional Proration	Proportional Proration
-----	-----	-----	-----	-----
Independent Student Unsubsidized	- \$4,000	- \$2,500	- \$1,500	- 0
3rd year or higher Dependent and Independent Students Subsidized and Unsubsidized	\$5,500	Proportional Proration	Proportional Proration	Proportional Proration
-----	-----	-----	-----	-----
Independent Student Unsubsidized	- \$5,500	- Proportional Proration	- Proportional Proration	- Proportional Proration

Annual Loan Limits for Graduate Students

- ◆ Graduate students may borrow up to \$18,500 annually in a combination of subsidized and unsubsidized loans. No more than \$8,500 may be in subsidized loans.

Aggregate Loan Limits

Subsidized Loans

- ◆ \$23,000 for undergraduate study
- ◆ \$65,500 for graduate study, including loans for undergraduate study

Combined Subsidized and Unsubsidized Loans

- ◆ \$23,000 for a dependent undergraduate student
- ◆ \$46,000 for an independent undergraduate student (and for dependent students whose parents are unable to borrow Direct PLUS Loans)
- ◆ \$138,500 for a graduate or professional student (including loans for undergraduate study).

PLUS Eligibility and Loan Limits

A parent applicant must fill out a separate Federal Direct PLUS Loan Application and Promissory Note and must meet specific credit requirements to receive a Direct PLUS Loan. If you are a Standard Origination school, the Loan Origination Center will send a PLUS Loan Application and Promissory Note to the parent based on the information obtained from the loan origination record you create.

If you are at an Option 1 or Option 2 school, the sequence of actions for Direct PLUS loan applications is as follows:

Application Process

- ◆ Using the EDEExpress software or similar methodology that meets the Department's specifications, you may preprint or manually complete the student and school sections before sending the application to the parent. You may choose instead to leave the school sections blank.

- If you have developed your own institutional application, or if you require an award letter acceptance to be returned to you before processing a Direct Loan request, you could obtain the additional Direct PLUS Loan information through one of these processes. These methods would help if you want to preprint information before sending the application to the parent.
- ◆ You may forward the application with the student's award letter or upon request. The appendices include a sample of the PLUS Loan Application and Promissory Note.
- ◆ The PLUS Loan Application and Promissory Note requests demographic information and references from the student's parent.
- ◆ The parent borrower completes the PLUS Loan Application and Promissory Note, including the loan amount requested, and returns the document to your school. You may not lend more than the requested amount, even if the parent borrower is eligible for more. The parent may not borrow more than the student's calculated Cost of Attendance minus expected financial assistance.
- ◆ You *must* review the PLUS Loan Application and Promissory Note for completeness and accuracy, enter the application data electronically, and submit the PLUS loan origination record to the Loan Origination Center.
- ◆ You *must* export the electronic manifest and mail the original signed completed PLUS Loan Application and Promissory Note to the Loan Origination Center with a paper manifest.

Credit Issues

After receiving the signed, completed Direct PLUS Loan Application and Promissory Note, the Loan Origination Center transmits the applicant information to a credit bureau and receives the credit check results in one business day.

The Loan Origination Center evaluates the credit report to determine if the applicant has an adverse credit history, as defined by Direct Loan Program regulations. A PLUS Loan applicant is rejected if

- ◆ the applicant is 90 or more days delinquent on any debt as of the credit report's date or
- ◆ during the five years preceding the date of the credit report, the applicant has been the subject of a default determination, bankruptcy discharge, foreclosure, repossession, tax lien, wage garnishment, or write-off of a Title IV debt.

Parent Notification

If an applicant is approved for a Direct PLUS Loan, the Direct Loan Origination Center transmits the credit check results to your school and sends a Direct PLUS Loan disclosure to the parent.

If an applicant is rejected, the Loan Origination Center notifies the applicant of the denial and includes the following information:

- ◆ the reason for rejection
- ◆ the name of the credit bureau that supplied the data on which the rejection is based
- ◆ an endorser form
- ◆ the name and telephone number of a service representative the applicant may contact for further assistance.

The rejected applicant has several options:

- ◆ contact the credit bureau to resolve any inaccurate credit information
- ◆ contact the Loan Origination Center to discuss and document extenuating circumstances
- ◆ reapply with an endorser who does not have an adverse credit history. The endorser must submit an endorser form to the Loan Origination Center and undergo a credit check. An endorser is defined as an individual who signs a promissory note and agrees to repay the loan if the parent borrower does not. An endorser may not be the student for whom the parent wishes to borrow funds.

School Notification

The Loan Origination Center notifies your school of the applicant's credit evaluation within five business days by means of decision codes in the Direct PLUS Loan origination record.

- ◆ You continue processing loans for Direct PLUS Loan applicants who meet the credit criteria and stop processing for applicants who do not meet the criteria.
- ◆ If an applicant documents that extenuating circumstances exist or resolves erroneous credit information or obtains an endorser who does not have an adverse credit history, you await the Department's decision and process the loan accordingly.

Applicants with Adverse Credit Histories

You will need to develop a policy for handling Direct PLUS Loan applicants with adverse credit histories.

You will want to determine whether the rejected parent borrower wishes to cancel the Direct PLUS Loan application or to seek loan approval based on extenuating circumstances or based on an endorser with no adverse credit history.

If the parent borrower chooses not to pursue a Direct PLUS Loan, the dependent student may borrow additional Direct Unsubsidized Loan funds up to the limit for independent students for their grade level (see page 4-3). The parent's loan application must be canceled before you may process an additional Direct Unsubsidized Loan for the student with remaining eligibility. Note that the Direct Unsubsidized Loan would be initiated only at the student's request.

Other regulatory circumstances that allow a dependent student to borrow additional Direct Unsubsidized Loan funds up to the limits for independent students are

- ◆ The parent receives only public assistance or disability benefits
- ◆ The parent is incarcerated
- ◆ The parent's whereabouts are unknown.

This information must be documented in the student's file.

The Direct Loan regulations provide the flexibility to assist families who obviously will not meet the credit requirements for Direct PLUS Loans. You can develop an internal process to review a parent's circumstances so that he or she does not complete the application process unnecessarily.

If a parent borrower presents documentation to the school showing at the outset that he or she will not meet the credit criteria (for example, the parent has a tax lien), you can decide immediately to bypass the PLUS application process and award Direct Unsubsidized Loan funds to the dependent student. However, you must document in the student's file why the student's parent(s) was precluded from borrowing a Direct PLUS loan.

Chapter 6

Loan Origination Records and Promissory Notes

Essential Loan Origination Record Questions

- ◆ What does it mean to originate a loan?
- ◆ When is it appropriate to create a loan origination record?
- ◆ How do you create a loan origination record?
- ◆ What data elements are needed to create a loan origination record, and where do they come from?
- ◆ What is a loan ID and what does it have to do with a loan origination record?
- ◆ How long can a school maintain loan origination records before submitting them to the Loan Origination Center?

Essential Promissory Note Questions

- ◆ May a school print its own promissory note instead of using the Department's promissory note?
- ◆ Can the Loan Origination Center print promissory notes for schools?
- ◆ Is one promissory note used for a student who has both Direct Subsidized and Unsubsidized Loans, or are multiple promissory notes necessary?
- ◆ What do Option 1 and Option 2 schools do with promissory notes?
- ◆ Must the Loan Origination Center accept the promissory note before funds can be disbursed to the student?
- ◆ When must the school reprint a promissory note?
- ◆ When must the Loan Origination Center notify the school that a promissory note has been accepted or rejected? What causes the Loan Origination Center to reject a promissory note?

Essential Records

Booking a loan forms an official and binding obligation between the borrower and the federal government. The Loan Origination Center must have the following records and documents to “book” a loan:

- ◆ an accepted loan origination record
- ◆ an accepted promissory note
- ◆ an accepted first-disbursement record.

Loan Origination Records

In the Direct Loan Program, originating a loan is comparable to certifying a student loan application under the FFEL Program. Data is collected from the borrower and either reported on a student loan application for certification (FFEL) or entered into a loan origination record (Direct Loans). In both cases, the data is the basis for making a loan. There are fewer data elements in Direct Loans than in FFEL because the Expected Family Contribution and Cost of Attendance do not have to be entered into the Direct Loan origination record.

The loan origination record

- ◆ is part of the borrower’s permanent loan record at the Department
- ◆ consists of necessary demographic, financial and statistical information
- ◆ is the initial record required for the Department to “book” a loan
- ◆ must be created while the borrower meets all loan eligibility requirements.

The *loan origination date* is the date all information in the loan origination record is complete and accurate. (For EDEExpress schools, origination is not complete until the process/originate function is completed.) The loan origination record does not have to be transmitted in order for a school to consider a loan originated. However, the *loan origination process* is not complete until the record is transmitted to and accepted by the Loan Origination Center.

Creating Loan Origination Records

All schools will create loan origination records. These records are created electronically using either the software the Department provides or other software that meets the Department's specifications.

Required Data Items

Certain data items are required to establish the loan origination record. It is important to know these data items and where they come from. You may

- ◆ import some of these data items from the EDEExpress Institutional Student Information Record (ISIR) or packaging system database (which could contain data from the ISIR data base)
- ◆ import some of these data items from the school's database
- ◆ manually enter data from the Student Aid Report and other hard copy documents.

The chart on page 6-4 describes the items and possible sources that are required to complete loan origination records. The key below identifies the codes used in the chart. Please note that the chart is for schools using the Direct Loan software on a PC exclusively or in combination with PC software and/or mainframe. Schools using a mainframe exclusively may want to devise their own chart.

LOAN ORIGATION RECORD DATA ITEMS CHART

Use the following key:

- F = Data comes from the FAFSA
- I = Data comes from the school and may require manual entry
- G = Global parameters; the data is universally set by Direct Loan system set-ups and parameters
- S = System-generated; the Direct Loan software calculates the data items

NOTE: Some data items, such as the year in school, could come from the FAFSA or the school. For this chart, if the data item is on the FAFSA, it is coded "F."

DIRECT LOAN SCHOOL GUIDE

Direct Loan Record Data Items	
Borrower/Student Data Items	Promissory Note Data Items
F ♦ borrower's Social Security Number	I • borrower signed promissory note flag
F ♦ borrower's name	I • date school verified signed promissory note
F ♦ borrower's address	G • promissory note print indicator
F • borrower's home phone number	S ♦ promissory note print sequence number
F • borrower's driver's license number and state	S • batch number
F ♦ borrower's date of birth	S • promissory note status
F ♦ borrower's citizenship status (including alien registration number if eligible noncitizen)	S • date promissory note printed
I ♦ student's anticipated graduation date	S • date/batch signed promissory note sent to Loan Origination Center
F ♦ student's year in school	S • date Loan Origination Center confirms receipt of notes
I • student's anticipated enrollment program start date	I • altered note amount flag
F ♦ student defaults on an education loan or owes repayment on a grant	
I ♦ PLUS borrower defaults on an education loan or owes repayment on a grant	
I • student's enrollment status	
I • student's enrollment status change date	
General Loan Record Data Items	Disbursement Data Items
I ♦ Loan type (Direct Subsidized Loan, Direct Unsubsidized Loan, Direct PLUS Loan)	I • reason/date disbursements canceled
I ♦ requested loan amount (cannot be more than loan eligibility)	I • date disbursements made
I ♦ loan amount approved (loan eligibility)	I • refund code/date
I ♦ user that created record	G ♦ anticipated disbursement dates
G ♦ school code number	S ♦ gross anticipated disbursements
G ♦ loan period start date	S ♦ anticipated fee amounts
G ♦ loan period end date	S ♦ net anticipated disbursements
S ♦ loan identifier	S • date disbursement records sent to Loan Origination Center
S ♦ loan year	S • disbursement batch number and drawdown date
S ♦ loan sequence number	S • disbursement reconciliation dates
S • origination record transmit date	
S • anticipated loan fees	
S • anticipated gross loan amount	
S • anticipated net loan amount	
S • loan origination status	
S • origination date	
S • date/time record created	
I • loan cancellation code/date	

♦ Required for transmitting loan origination record to the Loan Origination Center

Loan ID

The loan ID is created at the time the loan origination record is created. The loan ID appears at the bottom of the promissory note and ties together the promissory note and loan origination record. The loan ID is comprised of the following elements taken from the origination record:

- ◆ borrower's Social Security Number
- ◆ loan type
- ◆ loan year
- ◆ school code
- ◆ loan sequence number

Sample: 123456789 P 99 G99999 001

Sending Loan Records to the Loan Origination Center

Once all required data items are complete, you must transmit the loan origination records to the Loan Origination Center. For Option 1 and Standard Origination schools, the Loan Origination Center must accept these records and promissory notes before it will send funds to the institution.

Option 2 schools may submit loan origination records before transmitting disbursement records and promissory notes or may submit all records simultaneously. (Note that if a school transmits actual disbursement records before loan origination records, the disbursement records will reject regardless of the school's loan origination option.)

From an institutional management perspective, it is desirable to establish a regular schedule for submitting all records and documents to the Loan Origination Center.

Loan Origination Center Responses and Actions

- ◆ The Loan Origination Center edits and validates electronically received loan origination data within one business day.
- ◆ The Loan Origination Center stores these records until the loan is booked or the record is canceled or archived.
- ◆ The Loan Origination Center assists schools in resolving problems with rejected loan records.

Rejected Loan Origination Records

Some causes for rejected loan origination records are

- ◆ incomplete demographic information (name, address, driver's license number, alien registration number) for which the school must contact the borrower
- ◆ anticipated disbursement inconsistencies (fewer than two [unless your school is an experimental site school], not within the loan period, not in date order, or greater than the total loan amount approved).

All possible reject reasons are identified in the Department's Direct Loan Technical Reference.

Promissory Notes

As in the federal Perkins Loan Program and the FFEL Program, a Direct Loan borrower must always complete, sign, and date the promissory note before the loan is disbursed. Promissory notes can be distributed to borrowers anytime between determining loan eligibility and disbursement.

Printing Promissory Notes

The Loan Origination Center prints and distributes promissory notes for Standard Origination schools. Option 1 and Option 2 schools can print their own promissory notes or have the Loan Origination Center print and distribute them.

Option 1 and Option 2 Schools

- ◆ If you are at one of these schools, you may print a standard promissory note using software or preprinted forms the Department provides.
- ◆ You may also use other software that prints the entire promissory note. If you develop your own notes, you must have them *reviewed and approved* by the Department.
 - If you wish to have a promissory note reviewed, it should be sent to:

U.S. Department of Education
Direct Loan Account Management Group
ROB-3, Room # 3067, Mail Stop 5387
600 Independence Avenue, SW
Washington, D.C. 20202-5252

- When sending a promissory note for review, you should send an original promissory note that contains sample data. Neither copies nor fax versions of promissory notes are acceptable.
 - When creating your own promissory notes remember that the signature, interest rates, origination fee rates and the language that explains the loan's terms and conditions cannot be changed.
-
- ✦ If you choose to include a school bar code on the Department's promissory notes, prior approval from ED is *not* required. However, the bar code may not be placed in the bottom margin of the note. The entire bottom margin is reserved for ED's processor.
 - ✦ If you prefer, you may choose to have the Loan Origination Center print batches of promissory notes for your institution. However, the request must be made prior to the records being batched, and a copy of the request must be entered into each student's record. Schools can request this service without changing their other loan origination option functions.
 - ✦ EDExpress software automatically prints two copies of the promissory note. The borrower keeps one copy and signs and returns the other copy to the school for review and submission to the Loan Origination Center. Schools are not required to keep copies of promissory notes.
 - ✦ You may print one promissory note for a Direct Subsidized Loan and one for a Direct Unsubsidized Loan or use one promissory note for both loans. There must be a separate promissory note for Direct PLUS Loans.

Promissory Note Address Considerations

The parent's permanent address must appear on the Direct PLUS promissory note. However, the student's local or permanent address can appear on Direct Subsidized or Direct Unsubsidized promissory notes. Depending on when the promissory note is mailed (i.e., when school is in session or out of session), the school may use the borrower's local or permanent address.

Borrower Completion and Return

The borrower verifies all preprinted information on the promissory note, and supplies any missing data, references, his/her signature, and the date. Any changes made to the preprinted information must be initialed by the borrower. If the borrower changes and initials a disbursement amount, the borrower must also change and initial the *total* amount to be disbursed. Otherwise the promissory note is invalid due to conflicting information.

The borrower retains a promissory note and returns a signed original to the school or to the Loan Origination Center depending on the school's loan origination option.

- ◆ Borrowers attending Standard Origination schools must return all promissory notes to the Loan Origination Center. Upon receipt, the Loan Origination Center will send these schools an electronic acknowledgment indicating whether the notes have been accepted or rejected.
- ◆ Borrowers attending Option 1 and Option 2 schools must return all promissory notes to the school. Upon receipt, a school reviews the promissory notes for completeness and accuracy, enters the promissory note data into the system and forwards the paper copy and paper and electronic manifests to the Loan Origination Center.

Sending Promissory Notes to the Loan Origination Center

Borrowers attending schools using the Standard Origination Option send their promissory notes directly to the Loan Origination Center:

School Relations
U.S. Department of Education
Loan Origination Center
P.O. Box 5692
Montgomery, Alabama 36103-5692

This address is provided on the back of the promissory note. For these schools, promissory notes and loan origination records must be received and accepted by the Loan Origination Center before funds and an actual disbursement roster will be sent to the school for disbursement.

Option 1 and 2 Schools

Schools using Origination Options 1 and 2 send their promissory notes to the Loan Origination Center:

For Regular Mail

U.S. Department of Education
Loan Origination Center
P.O. Box 5692
Montgomery, AL 36103-5692

For Overnight Mail

U.S. Department of Education
Loan Origination Center
474 South Court Street, Suite 500
Montgomery, AL 36104

- ◆ The school must mail a paper promissory note manifest along with completed promissory notes to the Loan Origination Center. (Many schools choose to send these to the Loan Origination Center via certified mail, return receipt requested, or by Express mail service.)
- ◆ The school must also transmit an electronic promissory note manifest to the Loan Origination Center.
- ◆ For Option 1 schools, valid promissory notes must be transmitted and accepted by the Loan Origination Center prior to receiving funds.
- ◆ For Option 2 schools, valid promissory notes do not have to be transmitted to, or accepted by, the Loan Origination Center before funds are requested or disbursed. However, the schools must have obtained a signed promissory note prior to disbursing funds.
- ◆ Schools are not required to keep a copy of promissory notes. However, they may want to do so until the promissory notes are accepted by the Loan Origination Center.

Loan Origination Center Responses and Actions

- ◆ The Loan Origination Center will verify receipt of promissory notes against the paper and electronic manifests and return the paper manifest signed by a Loan Origination Center representative.
 - If an electronic manifest is present with the exact loan ID and print sequence number as each promissory note, you will receive an electronic acknowledgment in three business days.
 - If an exact match cannot occur, the acknowledgment may be delayed.
- ◆ The Loan Origination Center cannot electronically acknowledge receipt of paper promissory notes unless a valid origination record exists and you have transmitted an electronic promissory note manifest to the Loan Origination Center.
- ◆ The Loan Origination Center will review each promissory note to ensure it is complete.

- ◆ If the promissory note is **accepted**, this means that the Department accepts responsibility for the loan. The school may retain or destroy its copies of the accepted promissory notes.
- ◆ If the note is **incomplete**--that is, the promissory note requires some correction, the note is returned either to the borrower (Standard Origination schools) or to the school (Option 1 and Option 2 Schools) for correction. The Loan Origination Center does not send an electronic acknowledgment until the actual note is corrected and returned to the Loan Origination Center.
- ◆ If the note is **rejected**, the Loan Origination Center returns the original note to the school (Option 1 and 2 schools) for reissue. If the Loan Origination Center has received an electronic manifest, it transmits a “rejected electronic acknowledgment” to the school in three days.
- ◆ Schools may want to maintain a log of promissory note rejections and use this information to improve the school’s instructions to borrowers and its promissory note review process.

Rejected Promissory Notes

- ◆ Certain edits will cause the promissory note to be rejected. The main reasons for promissory note rejections are related to
 - missing data (signature, Social Security Number, name, address, phone number, driver’s license, citizenship status, loan amount requested, references, employer information, loan period, or date of birth)
 - promissory note alterations without appropriate borrower initials
 - promissory note amount greater than approved loan amount or amount disbursed greater than promissory note amount (if the note is submitted after disbursement).
- ◆ Option 1 and Option 2 schools are not required to create a new promissory note if the amount of the loan decreases. If the loan amount increases after the promissory note has been printed, schools can:
 - originate a new loan and print a new promissory note covering the incremental difference, or
 - originate a new loan and prepare a new note based on the total loan amount. If a new note is prepared for the total loan amount, the old loan must be canceled.

See the chart below for what to do when loan amounts change.

Loan Amount Increases	
Situation	Action
After the loan origination record is created and	The approved loan amount may be increased without creating a new loan record or loan ID.
Before the promissory note is printed or requested to be printed	No action necessary
After the promissory note is printed but before it is signed	Must print a new promissory note
After the promissory note is signed but before it is sent to the Loan Origination Center	Must print a new promissory note and get it signed.
<ul style="list-style-type: none"> After the promissory note is sent to the Loan Origination Center but before loan funds are actually disbursed 	A new loan record and loan ID number must be created and a new promissory note must be printed (or requested to be printed) for either the incremental increase or the entire new loan amount. If a new record is created for the entire new loan amount, the prior loan record must be canceled.
<ul style="list-style-type: none"> After loan funds are disbursed 	A new loan record and loan ID number must be created and a new promissory note must be printed (or requested to be printed). This is a new loan. There are now two loans unless the first loan is canceled.
Loan Amount Decreases/Stays the Same	
Situation	Action
If the approved loan amount decreases or if the approved loan amount stays the same but there are other loan record changes	No action is required unless the borrower requests a new note that reflects the actual amount of the loan. In that case, the school would create a new loan record (you must cancel the original loan record) and loan ID number and print a revised promissory note or request that a revised note be printed by the Loan Origination Center.

When to Begin the Loan Process (Option 1 and Option 2 Schools)

You must create the loan origination record while the student is eligible. Keep in mind that you can create a loan origination record with an offered loan amount, as identified in the student's award notification, or with an accepted loan amount.

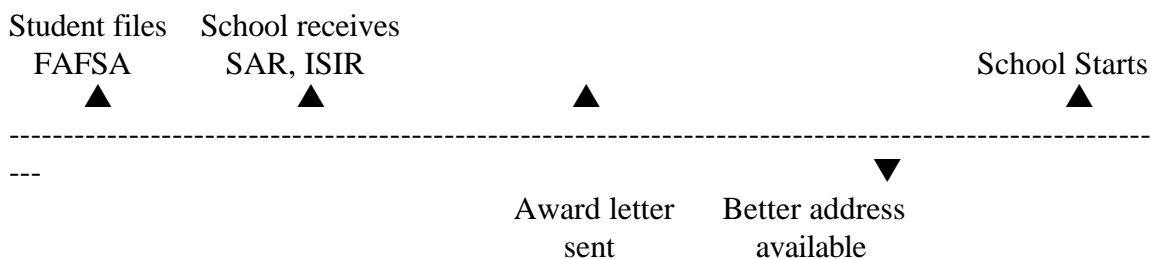
You should consider the following issues:

- ◆ Do you want to send promissory notes with your award notifications?

If you send award notices and promissory notes together, you will most likely produce promissory notes from offered loan amounts; therefore, you will need to create a loan origination record early in your process. If you decide to create a promissory note after borrowers accept their loan offers, you would create the loan record and the promissory note at a later date.
- ◆ Using the chart on page 6-13 can help your school determine how your process should operate. The chart lists the pros and cons of creating the loan record and promissory note at different times.
- ◆ During non-enrollment periods, you might mail your promissory notes separately from your award letter. However, once school starts, you may want to mail them together to speed the process.
- ◆ How will you handle students to whom you mail promissory notes but who fail to return them? Will you have duplicate notes available during the first days of school?
- ◆ You may reduce financial liability by minimizing the length of time you store signed notes before mailing them to the Loan Origination Center. Although no specific school security requirements for promissory notes exist, a school must safeguard all promissory notes in its possession. Submitting promissory notes frequently will help minimize their loss or destruction. Other practices you may want to consider:
 - Safeguard promissory notes in the school's possession by placing them in a locked fireproof cabinet.
 - Retain a copy of each promissory note until the Loan Origination Center accepts it.
 - Mail your promissory notes in small batches via a traceable overnight carrier.

DIRECT LOAN SCHOOL GUIDE

Time Frame Comparison For Promissory Note and Loan Record Creation



SEASONS	PROS	CONS
SPRING Prior to Academic Year (AY) Send promissory note with award notice	Reduced time/cost if sent together Client service benefit to receive full packet in the mail Complete references	Likelihood of loan amount changing Printing and mailing costs for students who do not attend Maintenance of larger database for loan origination records that students may not accept or ever borrow.
SUMMER Prior to AY Send promissory note Award letter sent in spring	Less chance of loan amount changing (more resource information)	Greater address problem in summer Lower likelihood of promissory note return due to bad addresses and separate mailing for note
FALL Prior to AY Make promissory note available Award letter sent in spring	Greatest chance loan amount is accurate Reduce printing of promissory notes for students not attending Captive student audience	Long lines for promissory note signing Signing legal document on the spot Refund detail may not be available

Chapter 7

Receiving and Disbursing Funds

Essential Questions

- ◆ Do I need to maintain a separate bank account for Direct Loan funds? Do I need to maintain an interest-bearing account?
- ◆ What happens to the loan fees if the disbursement is canceled?
- ◆ What is excess cash? What is immediate need?
- ◆ Is there a Direct Loan authorization level?
- ◆ How does an Option 2 school receive Direct Loan funds?
- ◆ How should an Option 2 school decide when to request Direct Loan funds?
- ◆ How do Option 1 and Standard Origination schools receive funds?
- ◆ What is the timeline and disbursement process for Option 1 and Standard Origination schools?
- ◆ Do all Direct Loan schools control when students receive their funds?
- ◆ May schools disburse funds before receiving signed promissory notes?
- ◆ Does a school need a borrower's permission to credit that borrower's account with Direct Loan funds?
- ◆ What is the disbursement date?
- ◆ Can Direct PLUS Loans be applied to a student's account? If so, is parental authorization necessary?
- ◆ How do I report disbursements to the Loan Origination Center?
- ◆ How do I handle disbursement cancellations and adjustments? What about loan prepayments?
- ◆ What role does the Loan Origination Center play in the funds request process?

Maintaining Your Federal Account

All schools must maintain a bank account for depositing federal funds. A school must either notify the bank that the account contains federal funds and keep a record of this notice in the school's recordkeeping system or the school must ensure that the account's name includes the words "federal funds." Except for public institutions, schools must file a UCC-1 statement with their state or municipal governments disclosing that the account contains federal funds. Schools must keep a copy of the UCC-1.

- ◆ Direct Loan funds may be kept in the same account with other Title IV funds, although it is recommended that a separate account be established for Direct Loan funds. This separation of funds will help the school's cash management of Direct Loans.
- ◆ If the school chooses to use, or is required to use, an interest-bearing account until the school disburses funds to students, any interest earned in excess of the \$250 annual allowance for administrative expense must be returned to the Department at least annually.

A school is not required to maintain an interest-bearing account if one of the following situations applies:

- In the prior award year, the school received less than \$3 million in Title IV funds.
- The school demonstrates by its cash management practices that it will not earn over \$250 in interest by maintaining the total amount of Title IV funds received during the award year in an interest-bearing account.

Loan Fees

Loan fees of 4 percent of the principal amount borrowed are charged to the borrower to help defray the cost of the Direct Loan Program. Drawdown amounts are based on the amount of net disbursements (disbursement less the loan fee on that disbursement).

- ◆ If a disbursement is canceled *within* 120 days, loan fees are not owed. In such cases, the interest is eliminated when the school or the borrower returns the funds. If the borrower sends back only part of the funds within 120 days, the borrower must send a letter to the Loan Origination Center explaining that he or she is returning funds to adjust the loan balance.

- ◆ If a disbursement is adjusted downward within 120 days, the fees are assessed only on the portion of the disbursement the borrower actually received.
- ◆ If a disbursement is canceled *after* 120 days, the accrued interest and fees must be paid by the borrower.
- ◆ If a school returns funds in order to comply with statutory/regulatory requirement, all or a portion of the loan fee is returned—even if 121 days or more after disbursement

See page 7-14 for more on disbursement cancellations, adjustments, and payments.

Requesting Funds: Option 2 Schools

Calculating Funding Needs

If you are an Option 2 school, you need to estimate—on an ongoing basis—the amount of funds necessary to make anticipated Direct Loan disbursements (net of loan fees). You should include in your estimate all Direct Subsidized, Direct Unsubsidized, and Direct PLUS Loans. You should also consider Direct Loan funds on hand.

- ◆ To make the estimate, you can use the Direct Loan software or a similar system. When a borrower's record is ready (that is, when you have created the loan origination record and obtained the completed, signed promissory note), the Direct Loan software “flags” the record as eligible for payment. You may also increase or decrease the system-calculated amount of funds required based on the historical anticipated need of your students.
- ◆ EDExpress users should note that even if the anticipated disbursement date has passed for a particular borrower, the software will include the anticipated disbursement amount in any calculations that estimate the school's cash needs if
 - the record has not been included in a previous request
 - the record is flagged as eligible for payment
 - the parameters you set to select eligible records include the borrower's anticipated disbursement date.

Timing the Requests for Direct Loan Funds

Funds are based on “immediate need,” which the Department defines as the amount of funds you will need to disburse for your borrowers within a three-day period. In other words, you must spend funds as soon as administratively feasible, but no later than three business days following the date you received the funds.

Immediate need differs among schools. By determining when cash will be needed, you can predict when to initiate the request. You should consider these basic factors when formulating a request for funds:

- ◆ the balance of Direct Loan cash on hand
- ◆ anticipated disbursements
- ◆ anticipated fund recoveries

The following chart displays approximate timelines for receipt of funds for schools using the Automated Clearing House/Electronic Funds Transfer method (ACH/EFT). To distinguish between morning and afternoon, the daily cutoff is 3:30 p.m. Eastern Time.

Timeline For Requesting/Receiving Direct Loan Funds Using ACH/EFT	
Funds Requested	Funds Received
Monday morning	Wednesday or Thursday
Monday afternoon/Tuesday morning	Thursday or Friday
Tuesday afternoon/Wednesday morning	Friday or Monday
Wednesday afternoon/Thursday	Monday or Tuesday
Thursday afternoon/Friday morning	Tuesday or Wednesday
Friday afternoon/Monday morning	Wednesday or Thursday

Requesting Direct Loan Funds (Option 2 Schools)

Option 2 schools are authorized to draw down funds directly from the Grants Administration and Payment System (GAPS). Unlike some other financial aid programs, there is no Direct Loan authorization level.

Once your immediate cash needs have been determined, transmit an electronic payment request for Direct Loan funds only, using:

- ◆ the Internet at <http://gapsweb.ed.gov> (if FEDWIRE or ACH users)
- ◆ by calling 1-800-654-8341
- ◆ GAPS then processes your drawdown request.
- ◆ GAPS checks that the account type, personal identification number (PIN), and password identifiers are valid.
 - If any identifiers are invalid, you will be notified to correct the error.

- ◆ Drawdown requests are edited and batched, and an ACH/EFT payment file is created for transmittal to the Federal Reserve Bank (FRB).
 - Problem requests are transferred to a holding file. Department personnel review the holding file daily and either approve the transaction or contact your school to resolve the problem.
- ◆ The FRB receives the ACH/EFT file and transfers funds to your school's bank account.
- ◆ As mentioned earlier, Direct Loan funds may be deposited in the same account with other Title IV funds, although you must be able to identify the Direct Loan funds.
- ◆ The FRB notifies the Department if an ACH/EFT transmission or your school's transaction is rejected.
 - ACH/EFT transmissions may be rejected because of mechanical difficulties or because your school's designated bank account has changed. If the ACH/EFT transmission is rejected, the Department contacts your school to resolve the problem.

Issues to Consider in Requesting Funds (Option 2 schools only)

- ◆ To determine when it is appropriate to draw down funds, you may want to consider first whether you will disburse (credit a student's account or pay a student or parent directly) before or after federal funds are received. In other words, is your campus willing to allow you to disburse funds to students before federal funds are received? Consider the following possibilities:
 - If you disburse institutional funds to borrowers before receiving federal funds, your disbursement date may be earlier than the date federal funds are received.
 1. If you disburse institutional funds ten or more days prior to the first day of classes, the date of disbursement is the date of the 10th day before the first day of class.
 2. If you are disbursing institutional funds to a first-time, first-year, undergraduate borrower, the date of disbursement is the date of the 30th day after the first day of classes.
 - If you disburse after receiving federal funds, the date of disbursement is the date the school credits the student's account or pays the student or parent directly.

- ◆ To determine when you will draw down funds, establish your disbursement date first. In doing so, remember the disbursement requirements.
- ◆ There may be a number of other important dates to consider, including
 - your students' tuition due date(s)
 - the date that your students' bills are mailed
 - the end of the school's add/drop period.
- ◆ Remember that interest accrues on the funds you request until those funds are disbursed. If your school maintains Title IV funds in an interest-bearing or investment account, and the interest earned before you spend your funds exceeds the \$250 annual allowance for administrative expense, you must return the excess to the Department as explained on page 7-2.
- ◆ Chart the amounts you are drawing down and spending, especially during the beginning of your term. Evaluate the results and determine if adjustments are needed. This will help you project future cash needs.
- ◆ Calculate your need for funds and export that data to GAPS early enough to meet the 3:30 P.M. Eastern Time cutoff.
- ◆ If you use the Direct Loan software to calculate your drawdown request, consider that the amount you request will be based on all loan origination records with a certain anticipated disbursement date. You have the option to manually override this amount and increase or decrease it.
 - You might increase the amount requested because you know you will receive more signed promissory notes before your funds are received. You will want to be conservative when increasing the amount requested so you do not create an excess cash problem.
 - You might decrease the amount requested, especially if you know from experience that not all your students will maintain eligibility for their loans at the time of disbursement.
- ◆ Monitor excess cash daily.
- ◆ Remember the regulations require that the functions of authorizing payments and disbursing funds be kept separate, so that no one office has responsibility for both.

- Reexamine how information flows among the financial aid, bursar, and business offices. Due to cash management regulations and the need to meet strict time requirements in drawdowns and excess cash calculations, the processes at your school may need to be streamlined and reengineered.
- ◆ EDEExpress users may want to evaluate and assess the current process of drawing down funds on your campus. You now have software available that can determine the amount of funds you need. Given that, should the drawdown be conducted by the financial aid office? By your accounting department? By your bursar?

Requesting Funds: Option 1 and Standard Origination Schools

The Loan Origination Center initiates funding requests for Option 1 and Standard Origination Schools based on anticipated disbursement dates and amounts provided by the school in the loan origination records and promissory notes. Note: Standard Origination Schools do not prepare promissory notes.

If you are an Option 1 or a Standard Origination school, you should follow the procedures below:

- ◆ You create and transmit loan origination records to the Loan Origination Center.
- ◆ If you are an Option 1 school, once you and your students have completed the appropriate portions of the promissory notes, you mail them to the Loan Origination Center. If you are a Standard Origination school, your borrowers return the signed promissory notes directly to the Loan Origination Center.
- ◆ Funds will only be requested for those anticipated disbursements for which the Loan Origination Center has an accepted loan origination record and signed promissory note.
- ◆ Approximately 30 to 45 days before the anticipated disbursement dates in the loan origination record, the Loan Origination Center will send an electronic anticipated disbursement listing which will identify anticipated disbursements by borrower and loan type.
- ◆ You review the list to determine whether adjustments need to be made, particularly to the anticipated disbursement amounts and anticipated disbursement dates. Schools should not disburse from this listing.
- ◆ You send any necessary change records to the Loan Origination Center.
- ◆ The Loan Origination Center will request funds for your school based on the anticipated disbursement dates and amounts you provided on the loan origination

records, including any changes. You can control the frequency and timing of receiving drawdowns by using the anticipated disbursement dates.

- ◆ The Loan Origination Center requests funds four days before the anticipated disbursement dates.
- ◆ The Loan Origination Center will simultaneously create and electronically send an Actual Disbursement Roster to you. The Actual Disbursement Roster reflects individual borrowers, loan types and their associated actual disbursements, and the total amount of funds in the request. It notifies the school that funds for the specified borrowers have been requested and can be expected in the school's Direct Loan bank account within three to four days.
- ◆ The funds will be sent to your school's bank through the Automated Clearinghouse (ACH) and should be received on or near the anticipated disbursement date.

The following timeline illustrates the funding and disbursement process for Option 1 and Standard Origination schools.

**Funding and Disbursement Timeline
Option 1 and Standard Schools**

30-45 days before disbursement ▲	4 days before disbursement ▲	2 days before disbursement ▲	Disbursement date ▲
Loan Origination Center sends the school an Anticipated Disbursement list; the school sends updates or changes to the Loan Origination Center	Loan Origination Center requests funds and sends an actual disbursement roster to the school	Loan Origination Center sends ACH EDPMS file to FRB and school receives funds	School disburses funds to borrowers

NOTE: If you send the loan origination record or promissory note 15 days (or less) before the anticipated disbursement date, the disbursement may not appear on the anticipated disbursement listing. However, the Loan Origination Center will request funds for this loan four days before the anticipated disbursement date, if the Loan Origination Center accepts the loan origination record and promissory note. This loan should appear on the actual disbursement roster sent to the school.

Disbursing Funds to Borrowers

All Direct Loan schools control—within the limits of the regulations—when students receive their funds, just as schools do in the federal Pell Grant and federal campus-based programs.

The following steps must be taken to disburse funds:

- ◆ The school establishes disbursement dates, taking into account the regulations concerning the number, amount, and timing of disbursements.
 - For a credit-hour program with standard terms, the earliest a student account may be credited or a student may be paid by cash or check, is 10 days before the first day of the first or any subsequent term.

- For a credit-hour program with non-standard terms or a credit-hour program without terms or any clock hour program, the earliest a student's account may be credited or a student may be paid by cash or check is 10 days before the first day of the loan period. Subsequent disbursements may not be made until the latter of
 1. The calendar midpoint between the first and last scheduled days of class in the loan period
 2. The date the student has completed half of the academic coursework in the loan period.
- Remember that there is a 30-day delay for disbursing loans to first-year undergraduate students who have not previously received a FFEL or Direct Loan. Note that this delay does not apply to a Direct PLUS Loan borrower whose child is in the first year of his or her program.
- In most cases, multiple disbursements (a minimum of two) are required, even for partial academic year attendance. However, this requirement does not apply to certain experimental site schools.
- Generally, no disbursement can be greater than 50 percent of the loan amount. (Again, this requirement does not apply to certain experimental site schools.)
Note: if one-half of the loan period has elapsed when the first disbursement is made, the loan may be disbursed in a single installment.
- ◆ As is required for schools under the FFEL Program, schools must verify that their students maintain eligibility for Direct Loans.
- ◆ Before disbursing funds, the school (or the Loan Origination Center for Option 1 and Standard Origination schools) must have a signed, completed promissory note from the borrower.
- ◆ Other than the information provided in the promissory note, the school is not required to notify the borrower of anticipated disbursements.
- ◆ The school may apply Direct Loan proceeds to the student's account without written authorization separate from the promissory note and without acknowledgment from the borrower.
- If the school disburses Direct Loans by crediting a student's account at the school, the school must first credit the student's account with funds for outstanding current and authorized charges.

- ◆ With the student's authorization, the school may also credit funds to the student's account for current charges incurred for educationally related activities and minor prior award year charges if those charges are less than \$100 or if payment of these charges will not prevent the student from paying his or her current educational costs.
- ◆ If the student's account shows a remaining credit balance, a check or similar instrument requiring the borrower's endorsement must be issued to the borrower within 14 days of whichever is latest: the date the balance occurs or the first day of classes of the payment period.

The borrower can also authorize the school to retain the balance. If authorization is withdrawn, a check or similar instrument requiring the borrower's endorsement must be issued to the borrower as soon as possible but no later than 14 days after the school receives the notice.

Schools unaccustomed to issuing checks may wish to issue a check or similar instrument that includes all Title IV program proceeds not needed for institutional charges.

The Disbursement Date

The disbursement date (the date funds are paid to the borrower) is the date the institution credits a student's account at the school or pays a borrower directly with Direct Loan funds or institutional funds used in advance of Direct Loan funds.

- ◆ If you disburse institutional funds ten or more days prior to the first day of classes, the date of disbursement is the date of the 10th day before the first day of class.
- ◆ If you disburse institutional funds to a first-time, first-year, undergraduate borrower, the date of disbursement is the date of the 30th day after the first day of classes.

Keep in mind that for Option 2 schools, funds drawn down are not borrower specific and may be disbursed to any eligible borrower. Option 1 and Standard Origination schools may disburse funds only to the borrower's specific loan listed on the corresponding Actual Disbursement Roster.

Special Direct PLUS Loan Considerations

Schools that credit student accounts directly are encouraged to post Direct PLUS Loan funds to a student's account for tuition and fees and room and board (if the student contracts with the school for room and board). With the parent borrower's authorization, funds also may be credited to the student's account for current charges incurred for educationally related activities and minor prior award year charges if those charges are less

than \$100 or if payment of these charges will not prevent the student from paying his or her current educational costs. If the parent dies, the student is required to notify the school or his/her Direct Loan Servicing Center so that no further disbursements will be credited to a student's account.

If the student's account shows a credit balance remaining, the school must either issue a check to the parent borrower or obtain authorization from the parent borrower to issue a check or similar instrument of endorsement to the student. Schools must allow the student or parent to cancel or modify release of funds authorizations at any time, and must clearly explain how it will carry out that activity.

Options:

- ◆ At the time the Direct PLUS application and promissory note is provided to the parent, obtain parental authorization to give any remaining funds to the student. The school may not require or coerce the student or parent to provide the authorization.
- ◆ Include the Direct PLUS Loan authorization in your school's institutional application, for parents who authorize the remaining credit to be released to the student.
- ◆ Modify your student accounts receivable system to allow you to create, identify, and mail Direct PLUS Loan checks to the parent for the amount that exceeds institutional charges (for parent borrowers who do not authorize the remaining credit to be released to the student).

If there is a credit balance, schools that disburse funds in a specific order will be able to determine which funds produced the credit balance. For example, a school may first apply Direct PLUS Loan funds to a student's account and then apply other types of financial aid funds. If the student's charges exceeded the Direct PLUS Loan amount, any resulting credit balance after applying other financial aid would not be attributed to the Direct PLUS Loan, making a parent authorization unnecessary.

Informing Students About Disbursements

When a school credits Direct Loan funds to a student's account, the institution must notify the student or parent of

- ◆ the date and amount of the disbursement
- ◆ the borrower's right to cancel all or a portion of the loan or loan disbursement
- ◆ the procedures and time by which the borrower must notify the institution that he or she wishes to cancel the loan or loan disbursement.

The school must send the notice no earlier than 30 days before and no later than 30 days after crediting the student's account at the school. The school may notify the borrower in writing or electronically. However, if the school sends the notice electronically, it must require the recipient of the notice to confirm receipt of the notice and must maintain a copy of that confirmation.

Reporting Disbursements

After disbursing funds, schools must report the required information about actual disbursements to the Department's Loan Origination Center. Schools must transmit disbursement records, including cancellations and adjustments, to the Loan Origination Center as soon as possible, but no later than 30 days after each date of disbursement, adjustment, or cancellation.

- ◆ Option 2 schools record the actual disbursement date and amount of each disbursement using the Direct Loan software the Department provides or another system the school maintains.
- ◆ As noted earlier, Option 1 and Standard Origination schools will receive a disbursement roster from the Loan Origination Center indicating the borrower, loan type, and amount to be disbursed. These schools must verify or correct the disbursement amount for each borrower, record the date and amount of each disbursement using the Direct Loan software or another system the school maintains, and electronically transmit actual disbursement records to the Loan Origination Center.

Borrowers' Requests for Cancellation or Adjustment

The borrower must inform the school if he or she wishes to cancel all or a portion of a loan or loan disbursement.

- ◆ The school **must** honor the cancellation request if the borrower requests the cancellation within 14 days after the date the school sends a disbursement notice, or by the first day of the payment period, whichever is later.
- ◆ If the borrower requests a cancellation 15 or more days after the school sends a disbursement notice, or after the first day of the payment period, the school may, but is not required to, cancel all or a portion of the loan.

The school must inform the borrower in writing or electronically regarding the outcome of any cancellation request. If electronic, the school must require confirmation of receipt and maintain a copy of the confirmation.

Cancellations, Adjustments and Payments

Effective July 1, 1998, all or an appropriate portion of a borrower's Direct Loan fee and interest charges will be credited to a borrower's outstanding loan amount whenever all or a portion of a loan's funds are returned by a school in order to comply with federal regulations or with the Higher Education Act of 1965, as amended (HEA). This change was published in the **Federal Register** on November 28, 1997 (62 FR 63428), at 34 CFR 685.202(c)(4).

This new provision authorizes the return of all or a portion of the loan fee and interest charges even though more than 120 days may have elapsed since the date of disbursement, as long as the school is returning the funds in order to comply with program requirements. For example:

- ◆ A school is returning funds to comply with program requirements when it is making a refund under §668.22. In this case all or a portion of the fee and interest charges would be returned regardless of whether the return of funds was made by the school within 120 days of disbursement.
- ◆ A school is not returning funds to comply with program requirements when it is returning funds to assist a borrower in making a prepayment or payment because the borrower has determined that not all of the loan proceeds are needed to pay educational costs. In this case, all or a portion of the fee and interest charges would only be returned if the return of funds was made within 120 days of disbursement.

(Note that the new provision has not changed the 120-day requirement for the return of funds by a borrower: for a borrower's return of funds to cause a return of the loan fee and interest charges, the borrower must repay or return the funds within 120 days of disbursement.)

The following chart summarizes cancellation, adjustment and payment provisions.

Direct Loan Cancellations, Adjustments, and Payments

Cancellations

A cancellation occurs when the borrower (within 120 days of disbursement) or the school (any time, to comply with regulations or the HEA) returns the total disbursement amount the borrower received.

Events that would cause a cancellation include the following:

- ◆ The school determines the disbursement should not have been made.
- ◆ The borrower does not accept any of the disbursement. (This is for a case in which a borrower wishes to cancel a loan disbursement within 14 days after the date that the institution notified the borrower of the disbursement, under §668.165(a)(2), or if the notice was sent more than 14 days before the first day of the payment period, by the first day of the payment period.)
- ◆ The school returns the funds (any time, to comply with regulations or the HEA) or the borrower returns to the school all funds that have been disbursed (within 120 days of disbursement).
- ◆ A Title IV refund is due, which would cause a refund of the total amount disbursed.

An Option 2 school returns canceled funds to its “federal” account when the school has determined or has knowledge that one of the events listed above has happened. An Option 1 or Standard Origination school returns the canceled funds to the Loan Origination Center. All schools send cancellation records to the Loan Origination Center. The borrower is not responsible for the loan fees and accrued interest for a canceled disbursement.

Adjustment

A disbursement adjustment is the return of a portion of the amount of a disbursement by a borrower (within 120 days of disbursement) or by a school (any time, to comply with regulations or the HEA).

- ◆ A reduction in the amount of the student’s eligibility results in a downward adjustment to a disbursement.
- ◆ A refund due (under the Title IV refund policy) is less than the full amount of the disbursement.
- ◆ The school returns a portion of the disbursement (any time, to comply with regulations or the HEA) or the borrower returns a portion of the disbursement to the school (within 120 days of disbursement).

If an Option 2 school adjusts a disbursement downward, it returns the net adjustment amount (the amount the borrower returns) to the “federal” bank account. An Option 1 or Standard Origination school returns the net adjustment amount to the Loan Origination Center. All schools send adjustment records reflecting the adjustment to the Loan Origination Center. The borrower is responsible for loan fees and accrued interest only on the total adjusted amount of the disbursement.

Payment

If a school is returning funds, but the return is not being made to comply with the school’s responsibilities under the HEA or federal regulations, the return is treated as a prepayment or payment, not as a cancellation or adjustment. For example, a loan is not canceled or adjusted if a school is returning funds to assist a borrower in making a prepayment or payment more than 120 days after disbursement because the borrower has determined that not all of the loan proceeds are needed to pay educational costs.

Excess Cash

If a school receives too much in funds, or if funds are not disbursed as anticipated, the school must return the funds to the Department as excess cash. Generally, “excess” is defined as any funds not used within 3 business days of receipt.

◆ A school may hold such funds an additional 7 business days if one of the following applies:

- the school meets the excess cash tolerance requirements in section 34 CFR 668.166(b) of the regulations
- the school will disburse the excess funds within the additional 7 days.

Note: Option 1 and Standard origination schools receive funds that are borrower specific. These schools cannot disburse funds to any borrower other than the borrower for whom the funds were intended.

Excess Cash vs. Payment

When determining if Direct Loan funds should be returned as excess cash or as a payment, please remember:

- ◆ The “*action date*,” (the date a student withdraws, or drops below half-time, or the school identifies an overaward) determines whether funds should be returned as cash or as a payment to the student’s account. It is the date of the activity that requires a school to return funds. The “*action date*” is not the date the refund is calculated or the date the adjustment or cancellation was entered into a computer system or reported to the Department.
- If the “*action date*” is **within 120 days** from the disbursement date, the funds are to be returned as **cash**. Schools should make an electronic adjustment or cancellation to the borrower’s disbursement record using the correct “*action date*.” If a school’s loan origination level is Option 2, the school can use these funds (the amount that would otherwise be returned) for another borrower.
 - If the “*action date*” is **after 120 days** from the date of disbursement, the funds are to be returned as a **payment** to the borrower’s account (refund the amount to the borrower’s account). Schools should **not** make an electronic adjustment or cancellation to the borrower’s account. This applies to all schools, regardless of the school’s loan origination level. These funds **cannot** be used for another borrower.

Addresses for returning funds to the Department

When returning **excess cash**, schools should mail check(s) to

- ◆ Loan Origination Center
Attn: Excess Cash
P.O. Box 2011
Montgomery, AL 36102-2011

If the amount of money being returned is \$100,000 or more, the funds must be returned by FEDWIRE to

- ◆ Compass Bank Account No. 707 2672 6
ABA No. 0620 0118 6

When sending **payments** to borrowers' accounts, the schools or borrowers should mail checks to:

- ◆ Direct Loan Servicing Center
ATTN: Payment Center
P.O. Box 746000
Atlanta, GA 30374-6000

Please see Direct Loan Bulletins 97-33 and 98-01 for additional guidance on returning funds to the Department.

Loan Origination Center Response and Actions

- ◆ The Loan Origination Center receives and processes the disbursement records that schools submit. Each disbursement record is matched to a borrower/loan record and edited against other data such as loan amount and borrower status. Electronic disbursement records are edited and validated by the Loan Origination Center within one business day.
 - If the disbursement record passes the edits, the borrower/loan record is updated, and the loan is “booked,” provided the Loan Origination Center has accepted the loan origination record and promissory note.
 - If there is a problem with the disbursement record, the Loan Origination Center notifies the school (via an acknowledgment record) to resolve the problem.
- ◆ The Loan Origination Center sends acknowledgments to schools indicating that the “booked” loan has been assigned to the Direct Loan Servicing Center.

- ◆ Within 10 business days after the loan is “booked,” the Direct Loan Servicing Center mails a letter to notify the borrower of the disbursement and to redisclose the terms of the loan. The borrower is also provided with the address and toll-free telephone number to the Direct Loan Servicing Center. After the borrower receives this notification, he or she can contact the Direct Loan Servicing Center with any questions or concerns.
- ◆ The Loan Origination Center matches second and subsequent disbursements against the borrower’s specific loan record, previously established in its database.

Chapter 8

The Reconciliation Process

Essential Questions

- ◆ What is reconciliation and why is it done?
- ◆ What is the reconciliation process?
- ◆ How often must I reconcile?

Reconciliation

Reconciliation is the process by which the school reviews and compares on a monthly basis the Direct Loan cash balance reported by the Loan Origination Center with the school's internal records. Beginning with the 1998-99 academic year and for all future years, the Loan Origination Center will initiate the reconciliation process by sending the Direct Loan School Account Statement (DLSAS) to the school on a monthly basis.

The Direct Loan School Account Statement (DLSAS)

Each month the Loan Origination Center will send schools in the Direct Loan Program an electronic file called the Direct Loan School Account Statement (DLSAS). This electronic file may be imported and formatted for printing a report that will look similar to a bank statement.

Note: A separate DLSAS will be sent for each academic year that the school participates in the Direct Student Loan Program, until that academic year is closed out as directed by the Department. Since there is the possibility that up to three academic years may be open at one time, a school may receive up to three statements for each month.

- ◆ The DLSAS is generated for each Direct Loan School at the end of each month (schools will receive the DLSAS on approximately the same date each month).
- ◆ Schools must review and compare each DLSAS to their internal records to ensure the accuracy of the data on both the school's system and the Loan Origination Center's system.
- ◆ The ending cash balance on the monthly statement represents the Department of Education's cash balance for the school. The school must verify that balance with the school's internal records and correct any discrepancies.

At the conclusion of a school's processing for an academic year, the ending cash balance for a school should be zero; school drawdowns should equal disbursements and returns of excess cash for the year. Schools should regularly monitor their cash balance during the year to ensure they are within the excess cash tolerance levels.

When schools import the DLSAS, the following reports are created:

Cash Summary

The cash summary for each month begins with the ending cash balance from the previous month. At the beginning of each academic year, the beginning cash balance should be **zero**.

The cash summary summarizes all drawdowns received by the school during the month as reported to the Loan Origination Center by the Department of Education Grants Administration and Payment System (GAPS). Drawdowns will be included in the statement for the months in which the school received the drawdowns. Return of cash transactions will also be included on the statement for the month in which the unused funds were received by the Loan Origination Center. It also summarizes unused funds returned by the school and received by the Loan Origination Center during the month.

The cash summary summarizes all disbursement transactions (actual disbursements, adjustments and cancellations) acknowledged by the Loan Origination Center during the month for "booked" loans only. Disbursement transactions are included on the statement for the month in which the transaction was acknowledged by the Loan Origination Center, regardless of the date of the transaction. For example, a disbursement that has a disbursement date of September 30 that is received and acknowledged by the Loan Origination Center on October 2 will be included in the October DLSAS. The ending cash balance indicates the cash balance at the end of each month for all cash transactions and disbursement transactions for "booked" loans.

The cash summary also summarizes all accepted disbursement transactions reported by the school to the Loan Origination Center for loans that are not booked by the end of the month.

As mentioned in Chapter 7, a loan is "booked" when--

- ◆ the Loan Origination Center has received and accepted a loan origination record;
- ◆ the borrower has signed a promissory note, and the Loan Origination Center has accepted the note; and

- ◆ a first disbursement has been made to the borrower and the disbursement record has been transmitted to, and accepted by, the Loan Origination Center.

The Cash Detail Record

The cash detail record provides a detailed listing of all drawdowns and unused funds returned and is **always** included with the DLSAS. Information in the cash detail section should be compared with the school's internal records and bank statements. The Loan Origination Center obtains this information directly from GAPS for drawdowns and the Loan Origination Center's own records for unused funds that have been returned.

The Loan Detail Record (optional)

Schools have the option of receiving only the cash summary and cash detail portions of the DLSAS (*i.e.*, without the loan detail records). If the school decides not to receive the loan detail on a regular basis, the school can request loan detail for any previous monthly statement if needed.

For schools that choose to receive loan detail, the DLSAS file will include booked disbursement transactions acknowledged during the month, sorted by Loan ID.

CHAPTER 9

Certifying Borrower Enrollment Status

Essential SSCR Questions

Can I use my Federal Family Education Loan procedures for Direct Loans?

What are the various stages and steps of the SSCR Processing Cycle?

How should I schedule my SSCR Cycles?

General Information

Since the passage of the Higher Education Act of 1965, schools have been required to confirm and report the enrollment status of attending students who receive federal loans. This reporting process is called the Student Status Confirmation Report (SSCR). Because a student's enrollment status determines his or her deferment privileges and grace periods, as well as the government's payment of interest subsidies, SSCR is critical for effective administration of Title IV loans.

In the past, schools received a roster from each guaranty agency for that agency's borrowers who were enrolled at that school. Since each roster had a separate processing schedule and format, automating the process was difficult.

The implementation of the National Student Loan Data System (NSLDS) in 1994, which tracks and monitors all Title IV student loan borrowers and grant overpayments, brought centralized and automated enrollment verification to the SSCR process.

School Requirements

The accuracy of the Title IV student loan records depends heavily on the accuracy of the data the school reports. Schools or their servicers must correctly match the NSLDS records with enrollment records, confirm or update student enrollment status and other student information, and correct any errors identified by NSLDS. The requirements for Direct Loans are the same as the requirements for FFEL.

To participate in the electronic SSCR process, the school or servicer needs to sign up for the Title IV Wide Area Network (WAN) and have a contact person at the school for SSCR-related matters.

Scheduling SSCR Cycles

Under the Title IV Federal loan programs, all schools must complete any SSCR roster sent to their school by ED or by a guaranty agency. Once a school has successfully returned an SSCR Roster File, it does not have to respond to a guaranty agency request for SSCRs. In addition, when a student's enrollment status changes in any way that affects his or her deferment privileges, you must notify the lender of the change within 30 days through an ad hoc report, unless an SSCR is processed within 60 days. An ad hoc report is--

- ◆ An unscheduled submittal file (created on a PC using EDEExpress or on a mainframe) that is sent to NSLDS, which contains detail records for the students whose enrollment status has changed.
- ◆ The on-line updating of student records using the SSCR functions of NSLDS.

Guidelines

Because different schools have different academic calendars, the new SSCR process lets you determine how your school can best meet its reporting requirements. You may choose between two (minimum) and six (maximum) cycles each year. You set up your reporting schedule through the Title IV WAN connection to NSLDS. When establishing your schedule, you must comply with the following.

- ◆ Regular term-based schools (semester, quarter, or trimester) must complete at least one SSCR cycle each regular term. A summer session does not count as a term.
- ◆ Schools that do not use regular terms must complete at least two SSCR cycles each year at dates that they choose, but the dates must be at least four months apart.
- ◆ All reporting cycles must be at least 60 days apart.

Recommendations

To fulfill the regulatory requirement for informing the lender of students whose enrollment status changes, ED recommends that you schedule an SSCR cycle every other month during the academic year. Such a schedule will eliminate the need for ad hoc reporting. If you cannot schedule SSCR cycles that often, ED encourages you to schedule one or more cycles beyond your minimum requirement, to reduce the amount of ad hoc reporting as much as possible.

The following table shows recommended SSCR cycle dates for schools on different academic calendars. You should modify these recommendations to take into account your school's workload throughout the year.

Bear in mind that you receive an error notification file within several days of sending your submittal file, and you must correct any errors and return an error correction file within ten days. Consequently, you should avoid scheduling an SSCR cycle when resources are limited or unavailable.

Recommended SSCR Cycle Dates		
Semester Schools	Quarter Schools	Other Schools
September	October	October
November	December	December
January	February	February
March	April	April
May or June	June	June
		August

Schools may change their schedule at any time, as long as they meet the minimum of two reporting cycles.

Processing Cycle

SSCR processing through NSLDS significantly streamlines the entire enrollment confirmation procedure. It can optimize the frequency of scheduled reporting cycles and, therefore, the timeliness of the data.

The checklist that follows describes the entire activity, step by step, showing which participant is responsible for each step. Regardless of how many times you elect to report, each cycle must include the following steps:

First Phase

NSLDS:

- ◆ Generates the SSCR Roster File for your school, in your chosen transmission medium (telecommunications or tape); and
- ◆ Forwards the Roster File to you or your servicer.

School or Servicer

- ◆ Receives the Roster File;
- ◆ Matches the Roster File against registration/enrollment records;
- ◆ Updates each student's enrollment status and effective enrollment status date with valid codes (defined in Chapter 5 of the *SSCR User's Guide*);
- ◆ Proposes changes to student identifiers (SSN, last name, first name, middle initial, and birth date) as needed;
- ◆ Changes or adds student identifiers (SSN, last name, first name, middle initial, and birth date) as needed;
- ◆ Changes or adds student address data as needed;
- ◆ Adds a Detail Record to the file for each new student as needed;
- ◆ Checks that the updated file contains valid data (as defined in Chapter 5 of the *SSCR User's Guide*), to reduce the likelihood that NSLDS will find errors; and
- ◆ Returns the updated SSCR Roster File, now called the SSCR Submittal File, to NSLDS within 30 days of the date it is sent to the school.

Second Phase

NSLDS:

- ◆ Receives the SSCR Submittal File;
- ◆ Edits the Submittal File contents;
- ◆ Updates the NSLDS with enrollment status changes;
- ◆ Captures proposed student identifier changes and new or changed address data;
- ◆ Returns the SSCR Error Notification File, which includes any records containing errors, applicable error codes, and a count of accepted and rejected records, to the school or servicer for correction (if there are no errors, the file contains a count of accepted records and no Detail Records);
- ◆ Forwards the new and changed data to each affected data provider weekly (*i.e.*, Guaranty Agency or Direct Loan Servicer); and

- ◆ Monitors the timeliness of your school's response, following up if necessary.

School or Servicer:

- ◆ Receives the SSCR Error Notification File;
- ◆ Considers the SSCR cycle complete if all records were accepted by NSLDS (the file can be retrieved for audit purposes);
- ◆ Corrects any records with identified errors; and
- ◆ Returns the corrected records to NSLDS as the SSCR Error Correction File within ten days of the date it is sent to the school or servicer.

Third Phase

(If the school or servicer returns an SSCR Error Correction File.)

NSLDS:

- ◆ Receives the returned Error Correction File;
- ◆ Edits the returned Detail Records;
- ◆ Repeats the last five steps of the NSLDS section immediately above; and
- ◆ Sends a revised SSCR Error Notification File to the school or servicer.

NSLDS begins the next cycle by generating a new Roster File reflecting all changes applied from the last SSCR Roster File, including unresolved errors from the previous cycle. (More complete information is contained in Chapter 2 of the *SSCR User's Guide: Preparing for the SSCR Process*.)

The SSCR User's Guide and Customer Support

Schools should reference the *SSCR User's Guide* for more detailed information on the topics discussed here. The SSCR User's Guide also contains:

- ◆ an overview of NSLDS
- ◆ a discussion of users of SSCR data
- ◆ record layout details
- ◆ instructions on using NSLDS on-line functions
- ◆ problem resolution.

To receive a copy of the SSCR User's Guide or to find out more about the SSCR process, please contact NSLDS Customer Service at 1-800-999-8219. (Hours of operation are 8:00 am – 8:00 pm EST.)

The remainder of this chapter does not apply to schools using EDE.

SSCR Roster File

The SSCR Roster File (prepared by NSLDS) contains student borrowers who are recorded as attending your school. When you complete the sign-up forms for the Title IV WAN, you select one of the following delivery methods for receiving the SSCR roster file:

Telecommunications: Users will log onto the Title IV WAN and use the Store-and-Forward Facility to receive the roster file in an electronic mailbox;

Magnetic tape: Users will receive the roster file by mail, on a cartridge or reel; or

Servicers: Schools using a servicer will not receive the roster file directly, because it will be sent to the servicer on a magnetic tape or by telecommunications.

Matching Student Data

The Detail Records in the SSCR Roster File must be matched to the student records in the school's registration system using software developed by the school's or servicer's computer personnel.

SSCR Roster files received through the Title IV WAN can be processed on a PC. The EDEExpress software that is part of the Title IV WAN package can display the Roster File records one at a time for updating and building the submittal File for transmission through the Title IV WAN.

Reading and Updating the SSCR File

Any data that you add to the file or change must be formatted according to the record layout and field definition specification in Chapter 5 of the User's Guide. Each Detail Record contains a Record Sequence Number which should not be changed.

Student Identifiers

Each Detail Record contains the following student identifiers:

- ◆ Social Security Number (also a record identifier)
- ◆ Last name
- ◆ First name (also a record identifier)
- ◆ Middle initial
- ◆ Date of birth (also a record identifier).

Student identifier data which the school determines to be outdated or incorrect should be updated with the fields prefixed with the word "New." When *any* "New" name field is changed, the school must update all "New" name fields.

Student SSN's provided by NSLDS should not be changed to match student identifier numbers used by the school to identify the student in school registration records. A School Identification Designator field has been provided specifically for school use.

Enrollment Status Review

Each Detail Record also contains three enrollment-related fields which must be reviewed and updated (if necessary):

- ◆ Date of Anticipated Completion
- ◆ Code for Enrollment Status
- ◆ Date Enrollment Status Effective.

Address Update

All address fields for all students must be filled in along with the Address Effective Date (if known) or the nearest approximate date available. NSLDS will forward address information to the data providers for use in borrower tracking. In later SSCR cycles, address information should be compared to school student information records and schools should update their records.

Adding Students

Students enrolled at the school who do not appear on the SSCR can be added to the SSCR Submittal File. It should be run through an error-checking or editing routine. Detecting and correcting errors in the SSCR Submittal File before sending it to NSLDS can reduce the number of times NSLDS returns the file for correction, as well as reduce the number of errors NSLDS finds.

Sending the SSCR Submittal File

The SSCR Submittal File must be submitted to NSLDS within 30 days of receiving the SSCR Roster File. The Submittal File can be sent via the store-and-forward facility of the Title IV WAN to NSLDS' electronic mailbox, or can be sent by magnetic tape.

Error Notification and Correction

After NSLDS receives and processes the Submittal File, the school will receive an acknowledgment in the form of an Error Notification File which includes one of the following:

- ◆ A count of all accepted records and no Detail Records if the Submittal File contained no errors; or
- ◆ A count of both the accepted and rejected records with Detail Records that could not be processed and the applicable error codes.

An Error Notification File containing Detail Records with errors must be corrected and returned to NSLDS within ten days.

(More complete information is contained in Chapter 4 of the *SSCR User's Guide: Building the Submittal and Error Correction Files*.)

CHAPTER 10

Direct Loan Servicing Center Response and Support

Essential Questions

- ◆ What functions does the Direct Loan Servicing Center perform?
- ◆ What kinds of communications does the Direct Loan Servicing Center provide to borrowers?
- ◆ How can my students receive a deferment or forbearance?
- ◆ How can I contact the Direct Loan Servicing Center?
- ◆ How can my school comment on the performance of the Direct Loan Servicing Center?

General Information

Computer Data Systems, Inc., in Utica, New York manages the current Direct Loan Servicing Center (Loan Servicing Center).

Loan Servicing Center Activities

Once loans are “booked,” the Department of Education’s Direct Loan Servicing Center assumes responsibility for servicing and collection activities. These activities, similar to those that lenders perform in the Federal Family Education Loan (FFEL) Program, include:

- ◆ Contacting students after initial loan disbursement with additional loan program information
- ◆ Applying and capitalizing accrued interest, applying fees, and maintaining borrower account balances
- ◆ Recording all payments received daily and applying payments to borrowers accounts
- ◆ Tracking and researching unapplied payments

- ◆ Tracking loans through in-school and grace periods and converting loans to repayment status
- ◆ Processing deferment and forbearance requests
- ◆ Reporting loan information to the National Student Loan Data System and the Department's Central Database
- ◆ Collecting and analyzing all information required to support borrowers' requests for loan repayment plans
- ◆ Performing comprehensive loan collection activities, including billing, letter writing, telephoning, skip tracing, and borrower tracking activities
- ◆ Repaying the collected loan proceeds to the Department of Treasury
- ◆ Maintaining audit trails
- ◆ Providing required accounting support
- ◆ Answering inquiries from the Department and participating schools
- ◆ Providing for standard and ad hoc reporting needs
- ◆ Interfacing with other systems, as required.

Many schools are familiar with these operations under the current FFEL Program. However, several activities are worthy of special discussion because they apply directly to borrowers and schools.

Borrower Service Features

The school is the borrower's primary contact up to the time Direct Loan funds are disbursed. At that point, the Loan Servicing Center notifies the borrower of the booked loan and begins a relationship that will continue until the borrower fully repays the loan.

The Loan Servicing Center's first communication with the borrower occurs after the loan has been booked. Additional communication occurs throughout the repayment period. The Loan Servicing Center also provides the borrower with contacts and telephone numbers in case he or she has questions about the loan or its provisions.

Addresses and Toll-Free Number

The borrower can locate the address and toll-free telephone numbers of the Loan Servicing Center on all correspondence he or she receives from the Loan Servicing Center. The general correspondence and Direct Loan Payment Center addresses and toll-free telephone numbers for borrower inquiries are listed below:

Direct Loan Servicing Center – Utica

Correspondence Address:

U.S. Department of Education
Borrower Services Department
Direct Loan Servicing Center
P.O. Box 4609
Utica, NY 13504-4609

Direct Loan Payment Center Address:

Direct Loan Servicing Center
P.O. Box 746000
Atlanta, GA 30374-6000

Telephone Numbers for Borrower Inquiries:

1-800-848-0979
TDD: 1-800-848-0983
FAX: 1-800-848-0984
Delinquent Account/Collections Department: 1-800-848-0981

Hours of Operation are 8:00 am – 8:00 pm EST.

Standard Communications

Most of the Loan Servicing Center's communication with borrowers will fall into one of the following categories:

- ◆ Loan disbursement notifications
- ◆ Deferment and forbearance assistance
- ◆ Account servicing documents (monthly billings, quarterly statements, coupon books, and annual statements).

Loan Issuance Notification

Through the loan disbursement record, the school notifies the Loan Origination Center of each loan disbursement made to a borrower. Within 10 business days of receiving this record, the Loan Servicing Center will contact the borrower at his or her permanent address. The communication to the borrower will include:

- ◆ A redisclosure of the loan amount, the amount disbursed to date, and the loan's terms
- ◆ The name of the office to contact if the borrower did not receive the loan proceeds or if the borrower has questions.

Deferment and Forbearance Assistance

During the repayment period, a borrower may request a deferment or a forbearance. A deferment is a period of time during which repayment of the loan principal is temporarily postponed. If the loan is a Direct Subsidized Loan or Direct Subsidized Consolidation Loan, there will be no interest charged to the borrower while the loan is in deferment. During deferment, interest is charged on all other Direct Loans. A forbearance is an arrangement to postpone or reduce a borrower's payment amount for a limited and specified period. During forbearance, interest is charged on all Direct Loans. When interest is charged during deferment and forbearance periods, the borrower can choose to pay the interest during the forbearance period or have it capitalized (i.e., added to the principal balance) at the end of the period.

The Loan Servicing Center will notify borrowers of deferment and forbearance options during delinquent loan collection. The notification will describe the borrowers' options and provide a telephone number and address for further assistance.

- ◆ A borrower may request deferment or forbearance forms by telephone from the Loan Servicing Center. The Loan Servicing Center tracks all deferment and forbearance requests from a borrower. The Loan Servicing Center completes the borrower-specific information at the top of the forms and sends them to a borrower within three business days of receiving the request.
- ◆ A school may choose to keep a supply of deferment and forbearance forms in its Financial Aid Office. If a borrower obtains these forms from the school, the borrower must complete the borrower-specific information at the top of the forms in addition to other information requested on the forms. Forms are also on the Direct Loan web site.
- ◆ The Loan Servicing Center reviews deferment and forbearance forms for completeness and accuracy and may contact a borrower for any additional information needed to complete the forms.
- ◆ Borrowers must provide the Loan Servicing Center with all information and documents necessary to establish eligibility for a specific type of deferment or forbearance. The Loan Servicing Center acts on all deferment and forbearance requests within 10 business days of obtaining all necessary information.

- ◆ The Loan Servicing Center will negotiate deferments and forbearances to meet the needs of the borrower while maintaining compliance with the law and regulations.

Deferments

Direct Loan borrowers are entitled to the same deferments as FFEL Program borrowers who had no outstanding balance as of July 1, 1993. In addition, Direct Loan borrowers who have an outstanding balance on a FFEL Program loan (made before July 1, 1993) at the same time they obtain a Direct Loan are eligible for all the pre-July 1, 1993, FFEL deferments. The Direct Loans entrance and exit counseling materials list these additional deferments (see Chapter 4).

All Direct Loan borrowers qualify for deferment when the borrower is

- ◆ Enrolled at least half-time at an eligible school
- ◆ Pursuing a course of study under an eligible graduate fellowship program
- ◆ Pursuing a rehabilitation training program for disabled individuals
- ◆ Conscientiously seeking, but unable to find, full-time employment (not to exceed three years)
- ◆ Experiencing, or will experience, economic hardship (not to exceed three years).

Forbearance

A forbearance is available when the borrower is willing but unable to make scheduled payments. Forbearance can take the form of several options: the borrower either makes no payments, or makes smaller payments than originally scheduled.

Forbearance is also available if the borrower

- ◆ Is unable to make scheduled payments due to poor health, temporary financial hardship, or other acceptable reasons
- ◆ Serves in a medical or dental internship or residency program
- ◆ Serves in a position under the National and Community Service Trust Act of 1993
- ◆ Has a monthly debt burden for all federal Title IV student loans that equals or exceeds 20 percent of his or her total monthly gross income (not to exceed three years).

Account Servicing Statements

The Loan Servicing center mails a variety of statements to each borrower to keep him or her updated on the status of the loan.

Quarterly Interest Statements

During the in-school, grace, deferment, and forbearance periods, quarterly interest statements are mailed to all unsubsidized loan borrowers. The statements list the interest paid during the last quarter, the interest accrued during the last quarter, and the outstanding principal balance. Borrowers are informed that they may pay or not pay the interest that has accrued. Any unpaid accrued interest will be capitalized (added to the principal balance at the end of the period).

Annual Statements

Annual statements are mailed to all borrowers within the first 60 days of every calendar year.

The annual statement provides some of the following specific information to Direct Loan borrowers:

Activity for the Year

- ◆ Opening Balance
- ◆ Payments/adjustments
- ◆ New Loans/Interest/Charges
- ◆ Capitalized Interest
- ◆ Ending Balance
- ◆ School Adjustments

Cumulative Loan Information

- ◆ Total Amount of Loans
- ◆ Adjusted Loan Amount
- ◆ Total Principal Paid
- ◆ Total Interest Paid
- ◆ Total School Adjustments
- ◆ Total Capitalized Interest
- ◆ Total Principal Balance
- ◆ Total Charges Paid

Billing Statements

Borrowers who are not using Electronic Debit Account (EDA) or coupon books to make their monthly payments are mailed billing statements monthly. Each billing statement

provides the current outstanding principal balance, current amount due, and any past due amounts.

School Services

The Loan Servicing Center maintains a toll free telephone number to support schools:

- ◆ Direct Loan Servicing Center—Utica
School Services
1-800-877-7658

Hours of Operation are 8:00 am – 8:00 pm EST.

A complete list of toll-free telephone numbers for the Loan Servicing Center is included in Appendix W.

The Loan Servicing Center also provides exit counseling support to schools. See Chapter 4 for more information on exit counseling support.

Problem Resolution

If schools or borrowers have a complaint related to either the Direct loan Servicing Center or the Loan Origination Center, they should contact the School Relations (schools) or Borrower Services (borrowers) unit at the appropriate site. If further action is necessary, the school or borrower should contact the Regional Direct Loan Account Management Staff in their region. The Account Management Staff will research questions and complaints, follow up if necessary, and attempt to come to a resolution. The telephone numbers of the Regional Account Managers are listed in Appendix W.

When the Department of Education receives a complaint about any servicers (Servicing or Loan Origination), a copy of the complaint will be sent to the appropriate center. Complaints concerning collection activity at the Loan Servicing Center will be handled as follows:

- ◆ If the complaint alleges a violation of state or federal law, the Loan Servicing Center will temporarily cease collection activity on the account in question.
- ◆ If the complaint is received by the Loan Servicing Center directly from the borrower, the Loan Servicing Center will notify the Department of Education of the complaint (usually within three days).
- ◆ Collection activity on the account will not be resumed until the Department of Education or the Loan Servicing Center has approved resolution of the complaint.

Chapter 11

Quality Assurance

Essential Questions

- ◆ What does quality assurance (QA) mean for my school?
- ◆ If my school is already involved in QA, what changes are necessary for Direct Loans?
- ◆ Is my school required to participate in QA?

General Information

You may know something about the Department of Education's current Title IV Quality Assurance Program (QAP) and wonder how the Direct Loan Quality Assurance System fits in. Quality Assurance, a required component of the Direct Loan Program, is a proactive rather than a reactive management style and allows you to anticipate and solve problems before they become major.

Quality assurance is based on evaluation and improvement and can help you successfully administer Direct Loans.

- ◆ Schools use self-assessment instead of after-the-fact inspection to look at their procedures, practices and policies.
- ◆ Schools can take ongoing action to strengthen vulnerable areas.

Schools can identify and correct problems before they are discovered as institutional liabilities in audits and program reviews by using

- ◆ strategic planning
- ◆ employee involvement
- ◆ structured problem solving
- ◆ performance measures
- ◆ corrective action.

ED provides tools to assist institutions in conducting qualitative quality assurance activities for Direct Loans in the *Direct Loan Quality Assurance Planning Guide (QA*

Planning Guide) and by providing quantitative *Measurement Tools* as a module in the *EDExpress software*. These tools were developed to ease implementation for institutions that are new to quality assurance. The *QA Planning Guide* serves as an *optional* technical assistance document for a Direct Loan QA system and contains a five-step quality assurance model and quality assurance worksheets.

- ◆ Step One: “Setting the Direction” – planning an overall strategy that will result in continuous school improvement
- ◆ Step Two: “Involving Staff” -- establishing the appropriate team to conduct the review
- ◆ Step Three: “Assessing Operations” -- beginning the problem-solving process
- ◆ Step Four: “Taking Action” -- addressing problem areas
- ◆ Step Five: “Reviewing Progress” -- evaluating results of previous steps.

These steps are progressive and interrelated. Each focuses on assuring effective stewardship of the Direct Loan Program and on providing students with excellent service.

This approach is described in detail in the Department’s *The Direct Loan Quality Assurance Planning Guide: (QA Planning Guide)*.

Institutions can meet the Direct Loan Program QA requirement by conducting any one of the following options:

- ◆ Completing the Direct Loan Management Assessment contained in the *QA Planning Guide* and implementing corrective actions;
- ◆ Completing the Title IV Wide Management Assessment contained in the *QA Planning Guide* and implementing corrective actions;
- ◆ Running the Measurement Tools contained in the *EDExpress software* and assessing the results in order to implement corrective actions;
- ◆ Utilizing the NASFAA Self-Assessment Guide; or
- ◆ Utilizing any comparable quality assurance methodology or analysis.

Note: Institutions participating in both ED’s Quality Assurance Program (QAP) and the Direct Loan Program are not required to complete the Direct Loan Management Assessment or adopt any additional self-assessment. These institutions will complete the Title IV Management Assessment worksheets prescribed by ED’s QAP.

Management Worksheets

The Management Assessment Worksheet tools provided in the *Direct Loan Quality Assurance Planning Guide* assist financial aid administrators to review administrative procedures against federal requirements, identify strengths and weaknesses of office operations, and begin to remedy areas of institutional vulnerability.

Institutions may, but are not required to, use either of the worksheets. Other assessment documents or tools such as the Measurement Tools provided in EDEXpress, NASFAA’s Self-Assessment Guide, or a comparable quality assurance methodology or analysis may be used.

- ◆ The “Management Assessment (MA) Worksheets” are used to assess financial aid operations and are available in paper in Appendix Z of this Guide and on the Web. The worksheets help schools evaluate practices affecting the Direct Loan Program and help them improve vulnerable areas.
- ◆ The MA Worksheet uses a series of questions in five categories to address Direct Loan Program administration. The five categories are
 - institutional participation
 - fiscal management
 - recipient eligibility
 - award calculation
 - reporting and reconciliation.
- ◆ Schools do not have to address all administrative areas in the MA Worksheet but can focus on the most problematic.
- ◆ Schools are not required to submit completed MA Worksheets to the Department.
- ◆ Schools may use an expanded version of the MA Worksheet to perform full-scale self-assessments of the Title IV programs.

Note: Schools participating in both ED’s Quality Assurance Program (QAP) and the

Direct Loan Program will complete the Title IV Management Assessment worksheets prescribed by ED's QAP.

- ◆ Schools may use the "Management Action Plan Worksheet" for areas needing improvement. These worksheets are also available in paper or on the Web. Schools will identify
 - actions to be taken
 - resources and personnel needed
 - timeframes to implement changes.

NOTE: You are not required to use the Management Action Plan Worksheet; you may develop your own tools to take action on problem areas. Consider discussing your approach with other Direct Loan schools or with QAP schools to obtain additional perspectives on how to proceed.

Progress Reports

There is no reporting requirement to ED on quality assurance activities. Institutions are required to maintain documentation regarding quality assurance system activities in a QA Master File at the institution.

Institutions participating in both ED's Quality Assurance Program and the Direct Loan Program will complete a Title IV Wide Management Assessment Worksheet (MA 3a, or 3b & 3c) and will report results using routine QAP reporting procedures.

Points to Consider in Managing Direct Loans

Consider developing a list of your constituents, including prospective students, their parents, high school counselors, other campus administrators, regents, etc.

Make sure that all who need to know about the school's decision to participate in Direct Loans are kept informed.

It might be appropriate to designate one or two people in your office as official Direct Loan spokespersons.

Develop a team approach to Direct Loans at your school. As you can see from the discussion in this chapter, the issues to consider will involve staff other than financial aid office personnel. Teams, committees, working groups, and task forces are all ways to encourage communication and commitment.

Assess your school's resources, including mainframe and/or personal computer systems. Depending on your level of automation, you may want to phase-in the Direct Loan Program.

Use the "Five Steps" outlined in the Direct Loan Planning Guide to implement the Direct Loan Program and your Direct Loan Quality Assurance System. These steps are progressive and serve as a base for launching a quality Direct Loan program that has recurring assessment activities for continuous improvement.

Develop a collaborative problem-solving approach. Use the Direct Loan Program to re-think the process of providing customer service to your students. Identify the issues that need to be explored and the timeframe for resolution.

Appendix A

Direct PLUS Loan Application and Promissory Note

Appendix B

Direct PLUS Loan Endorser Application

Appendix C

Direct Stafford/Ford Loan Promissory Note and Disclosure

Appendix D

Account Statements

Appendix E

Billing Communications

Appendix F

Quarterly Unsubsidized Interest Statement

Appendix G

Welcome Letters

Appendix H

Forbearance Letters

Appendix I

Deferment Letters

Appendix J

Death and Total and Permanent Disability Letters

Appendix K

Electronic Debit Account Letters

Appendix L

Returned Check Letters

Appendix M

Income Contingent Repayment Plan Letters

Appendix N

Clearing Bad Credit Letters

Appendix O

Promissory Note Fraud Letters

Appendix P

Bankruptcy Letters

Appendix Q

Interest Letters

Appendix R

Repayment Plan Letters

Appendix S

Payment History Letters

Appendix T

Payment Due Date Letters

Appendix U

Account Discrepancy Letters

Appendix V

Miscellaneous Letters

Appendix W

Help Listing

Appendix X

Direct Loan Program Regulations Listing

Appendix Y

Direct Loan Core Publications

Appendix Z

Direct Loan Quality Assurance Planning Guide